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GENERAL

Haig call to step up Salvador pressure

U.S. Secretary of State Alexander Haig believes all political, economic and security means at America's disposal should be used against the Soviet Union and Cuba in an effort to end the war in El Salvador, the State Department said at the weekend.

Officials said the U.S. should deal with El Salvador as a "global problem" and not just as a military conflict because such an approach could lead it into "another Vietnam." Back Page

ANC office blast

The African National Congress accused South African government agents of planting the 10-lb bomb which wrecked its London office and injured one person.

Glemp appeal

Poland's Roman Catholic primate Archbishop Jozef Glemp appealed for the release of Lech Walesa, leader of the disbanded Solidarity union. Page 2

Job plan fears

Voluntary agencies fear they will be unable to meet the demand for voluntary work under the latest job subsidy scheme proposed by the Government. Page 4

Minister fined

France's Finance Minister Gaston Defferre was found guilty of defaming Gaullist leader Jacques Chirac and fined FFr 1,500 (£136). Page 2

Drug worries

Drug companies fear an official report now with Ministers calls for the replacement of brand name drugs with cheaper generic ones. Back Page

Hotel fire rescue

Firemen plucked two injured schoolboys from an upstairs window and a third broke his arm jumping from the fourth floor when fire swept a London hotel.

Landslide deaths

Rescuers recovered five bodies and 10 trucks in a search for victims of a landslide which may have killed more than a 100 on a Peru jungle highway.

Skiers killed

A late winter thaw triggered at least nine separate avalanches in the French Alps, killing 11 skiers and injuring six.

ILEA faces axe

The Government is again considering abolishing the Inner London Education Authority only a year after deciding it could not be disbanded. Page 4

Pakistan arrest

Pakistani police arrested a former Opposition leader and used tear gas to break up the first major street protests for over two years.

Murder probe

The Israeli Cabinet ordered a top judge to take a new look into the 1933 unsolved murder of leading Zionist moderate Chaim Arlosoroff.

Good food awards

Nine British and one Irish restaurant won top awards in the Good Food Guide but only one of them—the Connaught Hotel—is in London. Page 4

Briefly . . .

One man died in heavy fighting between rival Arab groups in Tripoli, Lebanon.

Bubonic plague has broken out in a black township near Port Elizabeth, South Africa.

BUSINESS

Citicorp reduces assets in Europe

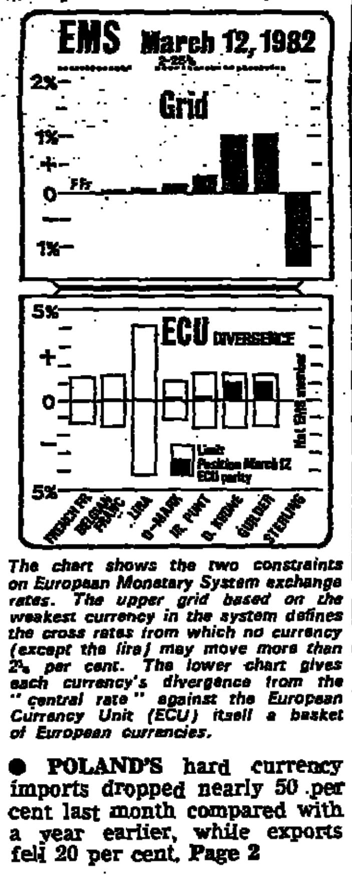
● CITICORP, New York's largest banking group, suffered a loss on its European business last year and ran down its assets there. The bank incurred a loss before tax and securities transactions of $27m (£15m) against a $24m profit, and reduced its assets from $31.4m to $29m. Page 16

● U.S. RECESSION is "just about at its bottom" and the next turn will be upwards, Murray Weidenbaum, chairman of President Reagan's Council of Economic Advisers, said. Back Page

GOVERNMENT is hoping to raise about £700m in the next financial year from asset sales—but this could be a conservative estimate. Back Page

● WEST GERMAN Bundesbank opposition has effectively blocked the possibility of agreement by EEC governments today on developing the EMS. Back Page

● BELGIAN FRANC, devalued by 8.5 per cent three weeks ago, was again the subject of devaluation rumours last week. The Belgian National Bank was reported to have intervened quite heavily to support its currency, although there appeared to be no immediate threat as far as European Monetary System divergence limits were concerned. Any further attempt at devaluation is unlikely to be welcomed by other EMS members, however, who successfully resisted a Belgian request for a devaluation of 12 per cent last month. The Danish krone, devalued by 3 per cent at the same time as the Belgian franc, was the second strongest EMS currency last week, behind the Dutch guilder.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● POLAND'S hard currency imports dropped nearly 50 per cent last month compared with a year earlier, while exports fell 20 per cent. Page 2

● BL CHAIRMAN Sir Michael Edwardes will deny rumours that he is to leave ahead of schedule when he announces group results on Friday. Back Page

● BRITISH STEEL chairman Ian MacGregor is sticking to his forecast that the corporation will break even by 1983. Page 6

● TAXATION increased as a proportion of companies' total funds from 9.7 per cent in 1977 to 11.3 per cent in 1980, according to a Central Statistical Office survey. Page 5

● UK SHIPPING COMPANIES should achieve a modest improvement in profits this year after sharp declines last year, says stockbrokers Phillips and Drew. Page 3

Pressure on Opec line mounts amid fears of Nigerian oil price cut

BY RICHARD JOHNS

NIGERIA is expected by oil industry experts to cut its oil price—on which the existing price structure of the Organisation of Petroleum Exporting Countries depends—soon after emergency Opec talks in Vienna at the end of this week.

Mr Mallam Yahya Dikko, the Nigerian Minister of Oil, who met some Opec ministers last week in Doha, Qatar, is believed to have given an undertaking that Nigeria would hold the line until the Opec meeting scheduled for Vienna on Friday.

The Vienna talks have been called in an attempt to agree on production levels to support the present Opec prices, based on a common reference of $34 per barrel.

After Friday's talks, Nigerian policy will depend on whatever agreement is reached on restricting collective Opec output. But the prospects are poor for a co-ordinated Opec production programme satisfying Nigerian requirements.

The position Nigeria takes this week is critical to the maintenance of the $34 a barrel reference and the common price structure set at the last Opec ordinary conference, in Abu Dhabi last December.

Nigeria's production level is said to have slipped to 1.3-1.4m barrels a day. It is seriously threatened by the discrepancy between its price of $36.50 and the rate of $31, set by the British National Oil Corporation the week before last, for equivalent North Sea crude.

Saudi Arabia is determined to defend the $34 reference price, according to the latest edition of the Middle East Economic Survey. The well-informed weekly oil journal rejects suggestions that the Kingdom is working towards a lower reference.

Yet it describes the situation as "fraught with danger" for Opec. The Survey estimates that collective output of the 13 members is running at only 18.2m b/d. The ministers meeting informally in Doha were reported to have set 18.5m b/d as a new maximum to support the $34 reference.

All the indications are that Nigeria will crack, according to the Survey. "In that event there would be precious little hope for the Opec price line," it says.

Heath says Budget shows 'monetarism is dead'

BY MARGARET VAN HATTEM

THE CHANCELLOR'S success in deflecting opposition by Tory "wets" was underlined yesterday when Mr Edward Heath, the former Conservative Prime Minister, hailed last week's Budget as a triumph over monetarism.

Mr Heath insisted that the overall effect of the Budget would be roughly neutral at a time when substantial reflation was needed to get the economy moving. He also claimed that the anti-monetarist faction within the Conservative Party had won.

"One of the great things about Geoffrey Howe's Budget is that it shows monetarism is dead as far this Government is concerned. We've won the intellectual battle," he said yesterday on the television programme Weekend World.

Mr Heath is to speak in the Commons Budget debate later today. His remarks indicate that the Chancellor has little to fear from one of his hitherto most persistent critics.

Mr Heath said he welcomed a large number of things in the Budget, including tax reliefs for small businesses and what he claimed was a "U-turn" on unemployment.

He indicated that rather than attacking the Budget's deficiencies, he would concentrate on pressing for co-ordinated action among EEC countries to withstand the effects of what he saw as an inevitable decline in U.S. economic performance.

This, he suggested, should include the introduction of exchange controls to shield EEC countries from the effects of high U.S. interest rates.

Mr Heath said he was deeply worried that U.S. developments would harm Britain's trading prospects and push its interest rates higher at a time when the UK was suffering more than a recession. "Let's not kid ourselves, it's a deep depression."

There was, he suggested, no possibility of persuading the Reagan Administration to modify its monetarist policies, especially in view of the virtually absolute power exercised by Mr Paul Volcker, the chairman of the Federal Reserve.

But the EEC was just as powerful as the U.S. in terms of production, and more powerful as a trading bloc, and should be able first to regenerate its own economy and later to pull the U.S. out of its depression.

The French Government would need no persuading to accept the financial controls he envisaged and once the West Germans, in the person of Mr Otto Poehl, governor of the Bundesbank, had been convinced, Mrs Thatcher herself might follow suit.

Men and Matters, Page 12

Jenkins slips to third in Hillhead polls

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

THE Social Democratic-Liberal Alliance put on a brave face over Mr Roy Jenkins' poor showing in polls at the weekend as it planned its strategy for the final 11 days of the Glasgow Hillhead by-election campaign. The Alliance says there are more "don't knows" than the polls suggested.

A poll conducted by the Telephone Survey Research Unit for the Sunday Standard and the BBC's Agenda programme showed the Conservatives making steady gains. Alliance support had slipped from 31 per cent on February 7 to 27 per cent.

Conservative candidate Mr Gerry Malone polled 30 per cent (26 per cent in February) and Labour's Mr David Wiseman 27 per cent (31 per cent).

Mr George Leslie, Scottish Nationalist, increased his support to 15.5 per cent from 12 per cent. There were 8 per cent "don't knows."

In the poll conducted for the Observer newspaper, the Alliance showed 23 per cent, the Conservatives 30 per cent, Labour 33 per cent and SNP 14 per cent. "Dont' knows," who were excluded from the calculation, registered 10 per cent.

In a System Three poll for the Glasgow Herald last week, the proportion of "don't knows" in Hillhead was said to be about 30 per cent, a figure more in line with the reckoning of the Jenkins camp.

Alliance party officials were preparing to indoctinate electors to avoid the second Mr Roy Jenkins on the ballot paper. Last week the Hillhead returning officer refused an Alliance protest at the inclusion of a Mr Roy Harold Jenkins of the Social Democratic Party on the ballot paper. The new Mr Jenkins, formerly Mr David Parkin, claims his party name was stolen.

Voters are to be urged by the Alliance to look for the "Right Honourable" in front of their Mr Jenkins.

In a separate development, a feud which threatens to embarrass the Alliance was settled with the decision by Mr Dickson Mabon of the SDP to stand down in his constituency of Greenock and Port Glasgow to allow the Liberal candidate Mr Alan Blain to stand.

Mr Mabon had refused to give way to the Liberals but at the weekend he agreed to stand in the adjoining constituency of West Renfrewshire, which under proposed boundary changes will include part of his old constituency in the next general election.

Scottish Labour in anti-nuclear vote

BY MARK MEREDITH

THE SCOTTISH COUNCIL of the Labour Party ended its annual conference in Perth yesterday with a resolution backing a unilateral nuclear disarmament policy, even if this proves incompatible with Nato membership.

The resolution urged Britain to refuse to take part in any defence policy based on nuclear weapons. It urged the closure of nuclear bases in Britain and the participation of the next Labour Government in a nuclear free zone "whether or not they regard this as compatible with Nato membership."

In the debate Mr Gavin Strang MP warned that adopting the Trident II missile system would conscript the people of Western Scotland into the front line of "Thatcher and Reagan's nuclear madness."

"We must dedicate ourselves to stop Trident. It may mean passive civil disobedience and

Continued on Back Page

British reactor for Trident

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITAIN HAS designed a pressurised water reactor for Trident nearly twice as powerful as those in its present nuclear submarines.

PWR2 will deliver about 30,000 shaft horsepower for the 14,860 tonne Trident submarines in the 1990s compared with 18,000 shaft horsepower for the latest PWRs used by the Royal Navy's fleet of 16 nuclear submarines today.

Unlike the present Navy PWRs, which have drawn extensively upon American nuclear technology, PWR2 will be a British design.

It will be fuelled by a highly enriched uranium core, designed by Rolls-Royce, to produce the highest power output from a given volume of fuel.

The first PWR2 is scheduled for installation in a new £200m shore-based facility at Dounreay in Scotland in 1984, for extensive trials and fuel-testing before the first Trident boat is completed.

It will make considerable use of lightweight titanium alloys instead of top quality steels in the critical pipework of its primary circuit to cut down weight.

It will also use an elegant British idea for circulating the high-pressure cooling water, known as a "pump-in-pipe," designed to reduce the noise radiated by these powerful pumps, which can reveal a submarine's presence to an enemy.

PWR2 has also been designed to enable safety inspections be carried out more easily than in present day Navy reactors. Design of the PWR2 is nearly finished. Rolls-Royce and Associates, the defence consortium which develops and builds the Navy's nuclear reactors, is already building the prototype at Barrow.

The plan is to tow the prototype as a single 1,600-tonne assembly by ocean-going barge to Dounreay in 1984. The prototype will run for several years before the first sea-going PWR is commissioned.

All four nuclear Navies—those of the U.S., USSR, France and Britain—use the PWR for propulsion. Naval PWR experience world-wide totals about 2,000 reactor-years. This compares with about 1,300 reactor-years of experience of PWRs for electricity generation, where they are the most commonly-used nuclear systems.

PWR2 will also be used in a new generation of faster, deeper-diving hunter-killer submarines for the navy, expected to enter service in the 1990s.

Murdoch to seek national directors' support

By Ivo Dawnay, Labour Staff

MR RUPERT MURDOCH, proprietor of The Times, yesterday sought agreement from the newspaper's six national directors for a meeting on Wednesday or Thursday at which he will ask them to endorse Mr Charles Douglas-Home as editor in place of Mr Harold Evans.

If by then Mr Evans has not tendered his resignation Mr Murdoch is likely to ask the national directors to approve his dismissal.

This latest episode in the editorship's saga came after a weekend of public bitterness and recrimination between opponents and supporters of Mr Evans.

On Friday a statement released by Mr Murdoch claimed Mr Evans's lawyer was confident Mr Evans would present his resignation. It claimed the terms of his departure were agreed and only the legal document remained to be signed.

However, supporters of Mr Evans said last night that he had been in contact with his lawyer over the weekend and no formal settlement had been reached.

They also said a statement yesterday on BBC Radio by Lord Robens, one of the national directors, could encourage Mr Evans to change his mind and resist Mr Murdoch's call for his resignation.

Lord Robens said that if the editor felt he was being unduly pressurised he would be perfectly entitled to seek an intervention by the directors on his behalf.

"The point is that at this moment in time he has not appealed to the national directors," Lord Robens said. He said it was not the national directors' job to hire and fire the editor. Their job was "to make sure that no one else hires and fires the editor without our consent."

Most journalists at the newspaper now believe Mr Evans has no alternative to resignation following a claim by Journalists of The Times (JoTT) on Saturday that up to 80 per cent of the paper's editorial staff wished him to go.

JoTT was set up by the journalists when the paper came up for sale last year. It said in a statement: "Our concern is that the gradual erosion of editorial standards from within might leave us with no paper worth saving."

Mr Geoffrey Smith, a leader

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Government may sell off half of Telecom

BY GUY DE JONQUIERES

UP TO 50 per cent of British Telecom could be offered for sale to private investors in the life of this Parliament under proposals now being drawn up by the Government.

The proposal is expected to form part of a Telecommunications Bill due to be submitted to Parliament in October. It may also include provisions to set up a body to regulate the telecommunications industry, similar to the U.S. Federal Communications Commission.

Both proposals have strong support in Whitehall, but ministers have not yet decided to act on them. A final decision on the shape of the Bill will probably not be taken until after publication of a discussion paper on future telecommunications policy, which the Government plans to issue in the next few weeks.

The sale of shares in British Telecom is regarded in Whitehall as particularly challenging. As well as needing extensive technical preparation, it could be difficult for political reasons to arrange the sale before next General Election.

Even if a Telecommunications Bill was sent to Parliament in October it would probably not become law until autumn next year—a bare nine months before the Government's mandate is due to expire.

Investors might be reluctant to buy shares in British Telecom if they thought the election would bring to power a Labour Government committed to renationalisation.

However, some ministers have suggested that the prospect of a share sale may diminish British Telecom's need to issue the £150m of "Buzby bonds" for which it received Government approval in principle last week.

It is also pointed out that British Telecom's financial performance has sharply improved recently. It is now expected to under-shoot its £380m financial limit for the current year by £130m — almost as much as the bond issue proposed for next autumn.

On the other hand, it will still have to finance a 26 per cent increase in capital spending to £2.38bn in the next financial year. Supporters of the bond argue, too, that it would provide an early test of City sentiment ahead of a share sale.

The so-called "consultative document," now being discussed by ministers, is expected to present options—rather than firm plans—for new legislation in these principal areas:

Restructuring British Telecom. Though a straight equity sale is preferred the possibility of hiving off parts of the organisation's activities to private investors and encouraging it to enter more joint ventures is being studied.

The Post Office Engineering Union opposes a share sale, but it is thought that it might soften its resistance if Brtish Telecom were encouraged to expand its manufacturing operations, creating more jobs for the union's members.

The Government also wants British Telecom to become more active internationally. It believes that by extending its vertical integration it could compete on equal terms with companies such as General Telephone of the U.S. in overseas markets for equipment and systems.

Establishing a regulatory body. Some ministers, including Mr Patrick Jenkin, Industry Secretary, believe that such a body is needed to speed liberalisation and prevent British Telecom abusing its residual monopoly powers, particularly over tariffs.

But others argue that if responsibility for equipment certification were transferred from the Industry Department to an independent body, the Government would be less able to control imports and to press foreign countries to open their markets to British exports.

"The wiring of Britain." The Industry Department wants to encourage investment in modern cable networks to carry two-way computerised information services, communications and video systems to private houses. It believes that joint ventures are needed between British Telecom, othr nationalised industries and private interests.

Many details of the scheme remain unresolved. It is unclear, for instance, how far the planning of new cable systems would be subject to government supervision or whether British Telecom should contiue to enjoy exclusive legal rights to lay communications cable.

Trunk call cut

British Telecom will today announce reductions of up to 35 per cent in charges for long-distance call from May 1. International tariffs were cut by 33 per cent at the start of last month.

The changes will mainly benefit business subscribers. They are intended to bring British Telecom's pricing more closely into line with its costs and to sharpen its competitiveness against its independent rival, the Mercury communications system.

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For latest Share Index phone 01-246 8026

Fraser warns coalition to be ready for election

BY MICHAEL THOMPSON-NOEL IN SYDNEY

Mr Fraser: economic progress at risk

MR MALCOLM FRASER, the Australian Premier, warned yesterday that the ruling Liberal-National Country Party coalition must be ready for a general election "at any time."

His warning followed a crushing by-election defeat for the Government in the Sydney seat of Lowe on Saturday.

Mr Fraser was responding to Mr Paul Keating, the Australian Labor Party strategist and front bencher, who said the ALP should capitalise on the gain of Lowe to force the Government to the polls.

This could only be done if the opposition parties blocked finance Bills in the Senate.

Ahead of the Victoria State election on April 3, the Lowe result has added greatly to the pressures on the Fraser administration.

Equally, it has bolstered the reputation of Mr Bill Hayden, the federal opposition leader, who warned that, unless the Fraser Government changed its economic policies immediately, it would be "demolished" at the next general election.

Lowe had been held for 32 years by Sir William McMahon, the former Liberal Premier. On Saturday, it tumbled into Labour's arms, with an 8 per cent swing to Mr Michael Maher, a former state MP for Drummoyne.

The result dramatises the predicament of the Government, which is having to juggle with rising unemployment, worsening inflation, high interest rates, a growing balance of payments deficit, and mounting criticism of its policies.

Last week, Mr Fraser warned that excessive wage rises and damaging strikes were placing economic progress at risk. He said Australia had to prove itself a reliable and competitive supplier.

Mr Fraser was accused by Mr Hayden of a "pathetic exercise in personal survival."

In Brisbane yesterday, Mr Hayden said that with a third of the swing seen in Lowe, Labour would capture 22 seats at a national election, giving it a clear majority.

He said the message was clear: "Mr Fraser has to stop harming Australia, and hurting ordinary Australians."

In Melbourne, Mr Fraser said the ruling coalition parties had to prepare for a snap general election, but said he was confident of thwarting Labour's challenge.

The Lowe by-election was probably the most expensive Australia has seen. Mr Maher says his campaign cost A$100,000 (£59,000) including A$30,000 on radio advertising. The 12 candidates probably spent a total of more than A$400,000.

Syria in pact to receive Iran oil

SYRIA AND Iran reached preliminary agreement yesterday on Iranian oil sales to meet the needs of Syria's two refineries, according to Tehran radio monitored by Reuter in London.

The report appeared to mark a major switch by Syria, which has previously relied heavily on Iran's Gulf war enemy, Iraq, for its oil imports. Syria produces a heavy crude oil and relies on imports to meet its light crude needs.

The preliminary accord was reached at a three-hour meeting between Mr Abdel Jabbar Al-Dahhak, Syrian Oil Minister, and Mr Mohammad Gharazi, Iranian Oil Minister.

Cocoa loan rivalled

THE International Cocoa Organisation will this week consider a bid from a Saudi Arabian financial institution to boost the industry's buffer stock, which has run out of money, John Edwards reports. This rivals a loan offer, worth between $75m (£41m) and $120m, made in January by a Brazilian banking consortium.

China cuts aid

China has cut of aid to the forces of Son Sann, the non-Communist Kampuchean resistance leader, according to the Bangkok Nation Review, Reuter reports from Bangkok.

Farm price talks

Agriculture Ministers of the European Economic Community begin fresh talks today in the search for an accord on 1982 farm price rises, Reuter reports from Brussels. Diplomats say there is unlikely to be any swift breakthrough.

Airlines pact

Leading world airlines have promised to end cut-throat rivalry, Reuter reports from Abidjan. The move to restore co-operation was made at a two-day meeting of the International Air Transport Association's 22-member executive committee when a three-year programme to try to return the industry to profitability was adopted.

The failure of Laker Airways was said to have been in everybody's mind during the meeting.

Glemp pleads for Walesa's release

WARSAW — Poland's Roman Catholic Primate, addressing the country's largest assembly since the imposition of martial law, yesterday urged the country's military regime to free the detained Solidarity leader, Lech Walesa. His release would threaten no one, Archbishop Josef Glemp declared.

Mr Walesa, national chairman of the suspended movement, has been held since the regime's military crackdown three months ago.

Archbishop Glemp, who was speaking to more than 20,000 people in the Warsaw suburb of Ursus, said: "Let's pray for Lech Walesa to be released, so he can stand again."

Meanwhile Marshal Viktor Kulikov, Soviet Commander-in-Chief of the Warsaw Pact forces, has arrived in Poland in connection with joint military exercises being held in Eastern bloc countries in north-west Poland. Marshal Kulikov, who was in Warsaw just before the December crackdown, has met the Polish leader, General Wojciech Jaruzelski, and two other Polish Generals in the capital, according to the official news agency.

The Archbishop chose a former Solidarity stronghold to make his first specific appeal for Mr Walesa's release. It is understood that the leader of the suspended movement was transferred recently to a location in Rembertow, east of Warsaw.

Mrs Walesa has said she expects her husband to be permitted to attend the baptism of his infant daughter next Sunday.

Archbishop Glemp said his audience was the largest "in our homeland since the imposition of martial law." He added that Poles needed "agreement and national accord." Mr Walesa's freedom would be the way to such accord.

The Primate renewed his call for the release of all dissidents interned by the regime. "We hope that the centres of isolation will be empty soon," he said. According to official figures, 3,601 Poles are being held at 25 internment camps.

The Warsaw Pact manoeuvres, codenamed Friendship-82 began on Saturday among units of unspecified size from the Polish, Soviet and East German forces. Command of what are officially described as "planned tactical operational exercises" has been given to General Eugeniusz Molczyk, a deputy Commander-in-Chief of pact forces and Poland's deputy Minister of Defence.

The exercises are widely regarded as an unequivocal warning to domestic foes of the Jaruzelski regime.

AP

Poles halve imports from West as exports decline by 20%

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S difficulty in obtaining import credits shows with a vengeance in the latest Government figures, which also record a slight reduction in the rate of decline of industrial production and an improvement in meat supplies.

Hard currency imports dropped by nearly 50 per cent last month compared to February last year while exports also fell by 20 per cent.

Coal sales abroad are on the increase with exports at 2.3m tonnes for the first two months of the year. The growth in deliveries to Comecon countries is higher than to the West, probably a reflection of the difficulties Poland is having in returning to Western markets.

Industrial production in February fell by 11.6 per cent compared to a drop of 13.7 per cent in January against the same month last year.

Private farmers sold 192,000 tonnes of meat to the state last month—enough to cover ration allocations—and only 1.4 per cent down on February 1981.

Price increases introduced at the beginning of February meant that spending by the population went up by 40 per cent over the month compared to February 1981. Spending on consumer goods went up by 48 per cent. But overall incomes went up, according to the figures, by 75 per cent.

ICI leads closure plea to MEPs

By Sue Cameron, Chemicals Correspondent

CHEMICAL producers have called on members of the European Parliament to stop any "unnecessary administrative or legal barriers" being put in the way of plant closures.

Representatives of the European Council of Chemical Manufacturers' Federations (CEFIC) made the plea at a meeting with 65 MEPs in Strasbourg last week.

Mr John Harvey-Jones, chairman-elect of Imperial Chemical Industries and a member of CEFIC's general policy committee, told MEPs that Western Europe was suffering from massive overcapacity in petrochemicals.

He admitted that this was because the industry had "seriously overestimated" the likely demand for its products but stressed that companies were now taking "urgent and energetic measures" to rationalise production.

Mr Harvey-Jones said these measures would "regrettably" lead to "much loss of employment." But he asked the MEPs to ensure that no needless obstacles were placed in the way of the chemical industry's plans.

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Jobert expected to press Japan for concessions

By Terry Dodsworth in Paris

FRANCE'S Trade Minister, M Michel Jobert, is expected to demand positive Japanese efforts to reduce the country's increasing trade surplus with France during a five-day visit to Japan which begins today.

The talks, which precede an official visit to Japan by President Francois Mitterrand next month, underline growing anxiety in France over the trade imbalance between the two countries. According to the latest figures, the French deficit on its Japan trading rose to FFr 9.3bn (£850m) in 1981, an increase of well over 30 per cent on the previous year.

Like the previous French Government, the Socialist Administration has maintained a strongly critical attitude to Japanese trading policies.

Chirac wins eve-of-poll case against Defferre

BY DAVID WHITE IN PARIS

GASTON DEFFERRE, France's Interior Minister, has been ordered to pay a fine of FFr 1,500 (£136) for making defamatory statements about M Jacques Chirac, leader of the neo-Gaullist RPR opposition Party, on the eve of yesterday's local elections.

M Defferre, 71, who is one of the senior Ministers in the French Cabinet, said he would appeal.

In an electoral meeting in Marseilles last week, he described M Chirac and two of his senior party colleagues as being "protectors, friends and accomplices" of M Marcel Francisci, a Paris gambling club owner who was muredered in January.

M Francisci, an RPR councillor for his home region of Corsica, was alleged to have been linked to a series of gangland scandals.

M Chirac, who is Mayor of Paris and who was defending a cantonal seat in central France in yesterday's first-round ballot, made use of a special 24-hour procedure designed to settle defamation cases during election campaigns.

The court, which reached its verdict at 2 am yesterday, awarded him the token damages of FFr 1 which he had demanded from M Defferre. M Chirac said afterwards that he considered the incident closed.

The other men named by the Minister, the party number two, M Bernard Pons and Senator Charles Pasqua, have announced separate slander actions.

The Minister's lawyers cited as evidence a letter from M Pasqua on behalf of M Francisci, who lost his gaming licence last year.

Schmidt assures U.S. of support

BY LESLIE COLITT IN BERLIN

TALK about anti-Americanism in West Germany is "sheer nonsense," Chancellor Helmut Schmidt, the West German Chancellor said at the weekend.

Recent opinion polls showed that four-fifths of West Germans regard the U.S. as an ally and friend, said Herr Schmidt.

The Chancellor spoke after plans were made public for major demonstrations against President Ronald Reagan during his forthcoming trip to West Germany and West Berlin.

"The idea that we might adopt a neutral position between East and West is simply devoid of reality," Herr Schmidt told the U.S. army newspaper Stars and Stripes.

Herr Schmidt blamed newspapers in the U.S. and West Germany for complaining about "what they call anti-Americanism in Germany."

"Some domestic in-fighting in the U.S. is being projected against the background of American-European relations," he said.

"This plays a greater role than most people can estimate or understand."

The Chancellor said: "We must be careful not to repeat the slogan anti-Americanism so long that in the end it assumes validity and becomes a fact.

In the age of mass media, mutual prejudices and animosities could virtually be talked into being.

Herr Schmidt noted there was far too much in the U.S. media about "Nazis, the Nazi period and the Second World War." He fully understood those people who had suffered and did not want to forget, but a new generation should not be raised "with a false picture of a former enemy."

Herr Erich Honecker, leader of East Germany, said he planned to visit West Germany this year. He received an invitation from Herr Schmidt at the summit conference in East Germany last December.

Mexican strike off

MEXICO'S labour congress, the umbrella organisation for most of the country's trade unions, has called off a general strike planned for today, William Chislett reports from Mexico City. The congress said it would call strikes next week if agreement was not reached with the private sector and Government for a wage increase to compensate for price rises resulting from last month's 41 per cent devaluation of the peso.

WORLD TRADE NEWS

Soviet Union seeks way round U.S. pipeline embargo

BY KEVIN DONE IN FRANKFURT

"THE GOVERNMENT of Reagan which imposed an embargo on the delivery of equipment for the Siberia-West Europe natural gas pipeline could hardly have guessed that the futility of these actions would be proved so quickly," the Soviet news agency Novosti crowed in a recent dispatch released in West Germany."

Moscow claimed that its own engineers had developed the type of 25 MW gas turbines needed for pipeline pump stations and that mass assembly would begin next year at two Leningrad factories.

Turbines of this size have previously been available to the Soviet Union only through the import of western technology, a weakness that the hawks in the U.S. Government led by Mr Casper Weinberger, the Defence Secretary, are eager to exploit as they try to increase pressure on Moscow in response to the imposition of martial law in Poland.

The Russians' optimism that their engineers have found a way around the U.S. embargo is a little premature, but western engineers confirm that the Soviet Union has reached an advanced stage in the development of its own 25 MW gas turbine technology, which, if necessary, could make it independent of western suppliers by the mid-1980s.

For its ambitious 5,500 km pipeline, running from the massive Urengoy gas field in Western Siberia to West Europe, Moscow still has little choice but to rely on western turbine technology. On its own, the Soviet Union could not meet its announced deadlines of late 1984 for the first flow of gas. European contractors and the West German Government are aware, however, that this dependence will eventually come to an end.

"A country that can build sputniks is also in a position to manufacture the necessary equipment for natural gas pipelines," Count Otto Lambsdorff, the West German Economics Minister said recently. "That might be more difficult, more expensive and more time consuming than importing such machinery, but of course it is not impossible. I am afraid that embargoes move little or nothing in our favour."

The Russians are, after all, pushing through the most ambitious gas pipeline building programme in the world. The 4,500 km pipeline that Moscow is building from Siberia to its western border — the remaining 900 km will run the length of Czechosolovakia to the West German border — represents less than 17 per cent of the 26,000 km of large-diameter gas pipelines the country is seeking to install under its current five-year plan.

Soviet gas production increased tenfold to 435bn cubic metres between 1960 and 1980, according to Mr Yuri Baranovsky, the chairman of Soyuzgasexport, the Soviet gas exporting agency, writes Our World Trade Staff.

Under the current five year plan the aim is to boost production to 600-640bn cubic metres.

The proposed new pipeline from Siberia to West Europe could effectively deliver 25bn cubic metres a year, roughly the amount which can already be delivered by existing pipeline systems.

The centre of expanision is in Western Siberia from which production should be 330-370bn cubic metres a year by 1985. This will involve the installation of 50,000 kms of pipelines and 373 compressor stations with a total capacity of 24,300 MW. The new export pipeline accounts for only 3,050 MW of that total. In construction terms, therefore, delays caused by the U.S. embargo are an irritant but not crucial.

The Russians already have well-proven small 6 MW gas turbines suitable for use in pipeline pump stations and well-known to Western engineers. They have also developed their own 10 MW machines—which do not have such a good reputation—but are not yet in a position to manufacture the larger 25 MW turbines of the type offered by General Electric and its European manufacturing associates for more than a decade.

Where the Soviet Union has decided on gas turbines in the past to drive pump station compressors, it has chosen either its own smaller units or the 10-14 MW turbines offered by Western suppliers, such as GE or Rolls-Royce.

It has imported a small number of the GE 25 MW units—manufactured by Nuovo Pignone, a GE manufacturing associate, in Italy—for test purposes in earlier years, however, and for its latest scheme it has plumped for the larger units. The U.S. embargo has stopped the delivery of vital turbine components, including rotors, blades and nozzles, to the Soviet Union's chosen contractors in Western Europe — Nuovo Pignone, AEG-Telefunken in West Germany and John Brown in the UK—but, according to Western engineers, Moscow has been pushing ahead with its own turbine development programme.

According to the Novosti report, which quotes Dr Andrei Kuznetsov, the chief engineer responsible for the development programme, the Soviet Union now has:

- four prototypes of the 25 MW gas turbine available, which have been proven in three years of tests;
- three of the machines are soon to be installed on a pipeline Grjasovez, to be tester in situ;
- some components are to be sub-contracted to other countries — Czechoslovakia, East Germany, Bulgaria and Romania.

Western electrical engineers accept that the timing of the Novosti report, and its release in the wake of the Reagan embargo, is pure propaganda. The report is the first official Soviet confirmation of a development programme that has been privately known about in Western industry for some years, however, and much of the substance of Soviet claims is undisputed.

Mr James Buckley (above), the U.S. Under-secretary of State, who arrives in Bonn today as part of a European tour to discuss U.S. sanctions policy against the Soviet Union and Poland. After Mr Buckley returns to Washington, President Reagan is expected to decide how the U.S. will proceed with the implementation of sanctions. Washington apparently wants to staunch the flow of cheap credits.

West Germany's trade with Comecon declines in significance

BY STEWART FLEMING IN FRANKFURT

Hans-Dietrich Genscher, West German Foreign Minister

SHADOWS ARE lengthening over West Germany's highly developed export trade with the countries of Eastern Europe. But the trade has become controversial as the business has passed its peak in economic terms.

The political fall-out from events in Poland and mounting East-West tension are threatening a chain reaction of debt problems:

- Romania's need to reschedule its debts has led West Germany to suspend export credit guarantees.
- West German bankers have reported that East Germany has been unable to put together a consortium in London to raise $300m.

At the same time, West Germany's trade with Comecon has come under fire from the U.S. Still, Herr Hans-Dietrich Genscher, the Foreign Minister, appears to have returned from his Washington visit with official U.S. acquiescence for increases in German gas imports from the Soviet Union.

In West German eyes, the U.S. criticism of the gas contracts is in any case a piece of pure hypocrisy, when the U.S. continues to meet its grain agreements with the Soviet Union. The criticism of the East bloc trade in general is regarded as another sign of U.S. insensitivity to West German history and geography.

Outside gas supplies, however, West German bankers and businessmen are resigned to the declining importance of trade with the East. Stagnation and decline have been evident for at least two years. Some would argue it has been clear since the late 1970s.

In 1976, West German exports to its seven major European Communist trading partners (including East Germany) accounted for almost 9 per cent of total exports. Last year the figure was down to just under 6 per cent or about 1.5 per cent of gross national product.

This contrasts with the flowering of business in the early 1970s, after the treaty signed by Chancellor Willy Brandt between the Federal Republic and the Soviet Union in 1970. Between 1970 and 1975, West German exports to the East tripled and West Germany ran up a trade surplus of over DM 20bn.

But much of the trade has been concentrated on one or two sectors of West German industry.

Last year, according to a recent report by the German Institute for Economic Research in Berlin (DIW) almost one-third of West German exports to the Soviet Union worth around DM 2bn, were machinery.

As one West German banker remarked: "There are some smaller and medium-sized companies who depend for 30 or 40 per cent of their sales on Comecon countries and could face bankruptcy is this business was cut off."

DIW estimates, for example, that around 100,000 workers were directly and indirectly last year dependent on exports to the Soviet Union, the biggest East bloc trading partner.

Much U.S. criticism of the trade focuses on the support which machinery exports give to the Communist economies. But already under pressure of their own financing problems and revised economic growth plans the pattern of trade is changing.

Thus, according to DIW, only Hungary, arguably the most successful economically of the East bloc countries, was able to significantly increase its imports of machinery last year.

In most other countries, including the Soviet Union, it was the increase in West German food exports which, alongside the overall decline in trade in real terms, which was noteworthy.

According to DIW, the decline was marked. In nominal terms exports and imports combined increased to DM 34.5bn (excluding East Germany). But after taking our price increases, the real volume of trade was down 7 per cent.

Within this overall total there was a sharp decline in the volume (but not the value) of oil imports from the Soviet Union. Although gas imports from the Soviet Union accounted for 20 per cent of West Germany's needs (a figure planned to increase to around 34 per cent by 1990), the Soviet Union met only 5.3 per cent of West Germany's total energy needs, down from 6 per cent in 1979.

While West Germany's East bloc trade seems to be declining in economic importance, as one German banker recently remarked, "neither the government nor the corporate sector wants to see a slump." This point was underlined at Bonn last week when the Economics Ministry disclosed that since the second week of January some DM 1.2bn of credit guarantees for exports to the Soviet Union had been approved.

Particularly at a time of high unemployment in Germany the effort being made to keep trade flowing is understandable, especially since many of West Germany's competitors would speedily fill any export gaps the Germans leave.

But for many West Germans it is the political dimension of East bloc trade which is as important as the economic. The view that it is at times of acute political tension that trade contacts can be a moderating influence. The fact that the current tensions are reinforced by exceptional financial and economic problems for the East, which are tending to force the Communist bloc to turn in on itself, makes it even more imperative to avoid clumsy political or economic initiatives in East-West relations.

SHIPPING REPORT

Taiwan orders container ships

BY ANDREW FISHER

A TAIWANESE order for container ships estimated to be worth $140m highlighted the still depressed world shipbuilding market last week, as the amount of ships being scrapped outweighed those being ordered.

Evergreen has ordered four container ships from Japan's Onomichi Shipbuilding Company and plans a round-the-world service in both directions, using eight ships each way, from early 1984.

Terms for other container vessels are being negotiated by Evergreen with yards in Japan and Taiwan. Outside the container sector, however, business for world shipbuilders has tailed off.

Japanese companies, according to Lambert Brothers Shipbroking, "may now be reconciled to progressive long-term contraction of their shipbuilding industry."

The country's inability to compete with other Far Eastern yards is due in large part to its unwillingness to finance contracts in dollars, but also because other yards in the region seem more determined to add to their orders. South Korean prices are lower than Japan's.

There is no doubt, said Lambert in its sale and purchase report, "that demolition stole the centre of the stage in February." The total volume of sales for scrap in the month was its highest on record.

Mostly comprising tankers, the figure was nearly 4m deadweight tons, making 5.9m dwt in the first two months, which was 39 per cent of the 1981 total.

World Economic Indicators

UNEMPLOYMENT

		Feb. '82	Jan. '82	Dec. '81	Feb. '81
UK	000's	3,044.9	3,070.6	2,940.7	2,463.3
	%	12.6	12.7	12.2	10.2
U.S.	000's	9,575.0	9,298.0	9,571.0	7,754.0
	%	8.8	8.5	8.8	7.3
		Jan. '82	Dec. '81	Nov. '81	Jan. '81
W. Germany	000's	1,949.8	1,703.9	1,490.0	1,308.6
	%	7.5	6.5	5.7	5.0
France	000's	2,034.0	2,014.4	2,016.2	1,680.3
	%	9.0	8.9	8.9	7.4
Italy	000's	2,194.2	2,145.9	2,136.8	1,934.2
	%	9.9	9.6	9.6	8.7
Netherlands	000's	488.3	473.6	443.2	342.8
	%	9.4	9.1	8.5	6.6
Belgium	000's	530.3	525.4	518.4	429.5
	%	13.1	12.9	12.8	10.6
Japan	000's	1,310.0	1,190.0	1,210.0	1,230.0
	%	2.3	2.1	2.1	2.1

Source (except UK, U.S. and Japan): Eurostats

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Chelsea Antiques Fair (0727 56069) (until Mar 20)	Old Town Hall
Current	Daily Mail Ideal Home Exhibition (01-222 9341) (until Apr 3)	Earls Court
Current	International Glass and Glass Technology Exhibition—GLASSEX (0373 77966) (until Mar 17)	NEC, Birmingham
Current	Autoquip Exhibition (01-235 7000) (until Mar 18)	Olympia
Current	The London Shoe Show (01-739 2071) (until Mar 16)	Kensington Exbn Centre, W8
Mar 23-26	London Fashion Exhibition (01-385 1200)	Olympia
Mar 25-26	Wine Fair (0734 481713)	New Horticultural Hall, Westminster
Mar 25-Apr 2	Metalworking '82 Exhibition (0737 68611) and International Metalcutting Machine Tools Exhibition (01-402 6671)	NEC, Birmingham
Mar 28-Apr 1	British Exhibition of Fine Jewellery and Sterling Silver (01-493 7628)	Goldsmith's Hall, London
Mar 29-Apr 1	Audio Visual Exhibition (01-688 7788)	Wembley Conf. Centre
Mar 31-Apr 2	Fashion Fabrex Exhibition (01-385 1200)	Olympia
Apr 5-7	Concrete Society Exhibition and Conference (01-730 8252)	Met. Exbn. Hall, Brighton
Apr 7-14	Birmingham Motor Show (0602 51203)	Bingley Hall
Apr 23-24	International Property Exhibition (01-499 5311)	Cumberland Hotel, W.1

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Household Appliance Trade Fair (01-486 8686) (until Mar 21)	Sao Paulo
Current	International Spring Fair (01-493 3111) (until Mar 20)	Leipzig
Mar 16-19	Shipcare Exhibition (08833 6155)	Hamburg
Mar 16-21	Brighter Homes and Do-It-Yourself Exhibition (Dublin 694022)	Dublin
Mar 18-23	Woodworking Machinery Exhibition (01-439 3964)	Paris
Mar 18-26	Petroleum Show (01-486 1951)	Peking
Mar 21-25	Middle East Business Equipment Show (01-486 1951)	Bahrain
Mar 23	Invitational Computer Conference and Exhibition (01-994 6477)	Frankfurt
Mar 23-27	International Energy and Engineering Trade Fair (01-236 0911)	Stuttgart
Mar 25-28	The Fourth International Travel Fair—TRAVEL 82 (021-705 6707)	Singapore
Apr 6-9	First International Energy Technology Exhibition (01-839 5041)	Tokyo

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Mar 15-18	IPM: The Elements of Salary Administration (01-946 9100)	Embassy Hotel, W2
Mar 17	Institute of Credit Management: National Conference (0990 23711)	Hilton Hotel, W1
Mar 17-18	FT Conference: European Pulp and Paper in the 80s (01-621 1355)	Finlandia Hall, Helsinki
Mar 18	Institute of Marketing: Action for Recovery Conference (01-680 7625)	Hilton Hotel, W1
Mar 18-19	London Export Conference: Nigeria—Future Programmes (0822 3577)	Churchill Hotel, W1
Mar 18	Institute of Marketing: National Conference (06285 24922)	Hilton Hotel, W1
Mar 20	University of Reading: Strategic Factors in the Growth of International Business (0734 85123)	Reading
Mar 20-24	International Council of Shopping Centres: European conference on Downtown Shopping Centres (0734 861101)	Paris
Mar 22	Oyez-IBC: European Symposium on the Candu Reactor (01-242 2481)	Portman Hotel, W1
Mar 23	British Institute of Energy Economics: Energy Conservation in Industry—the Anglo Swedish Experience (01-930 2233)	9 St. James's Square, SW1
Mar 23	Institute of Directors annual convention (01-839 1233)	Royal Albert Hall, W8
Mar 23	IPS: Currency Differentials (0990 23711)	Midland Hotel, Manchester
Mar 24	CBI: Business Realities—Are We Understood? (01-379 7400)	Centre Point, WC1
Mar 25-27	The Institute of Administrative Management: Administrators of the Future (01-658 0171)	Bournemouth
Mar 25-26	DRI Europe: After the Recovery: Planning for Renewed Growth (01-222 9571)	Waldorf Hotel, WC1
Mar 25-26	The American Chamber of Commerce (United Kingdom): Operating in British Industry—An In-Depth Briefing for Senior American Executives (01-370 3176)	Dorchester Hotel, W1
Mar 26	Dun and Bradstreet: Understanding Credit and Collections (01-247 4377)	Cafe Royal, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

UK NEWS

Fears for 'voluntary' jobs scheme

BY JOHN LLOYD, LABOUR EDITOR

THE COUNTRY'S main voluntary agencies fear they will be unable to cope with the demands to be placed on them by the Government's intention to find voluntary work for 100,000 long-term unemployed at a cost of £150m.

The plan, unveiled by the Chancellor in his Budget speech last Tuesday, would put the unemployed to work on schemes put up by community organisations.

Schemes approved by the Manpower Services Commission would attract a subsidy of around £30 per worker per week, with about half of that available to top up his or her unemployment and other benefits.

However, neither the National Council for Voluntary Organisations nor the Volunteer Centre see any hope of voluntary agencies, and other organisations such as churches, local authorities and health authorities, being able to organise projects or to ally union distrust.

NCVO officials privately believe the scheme is a "non-starter" and is unlikely to amount to much. The council last week publicly asked several questions, one of which was: "How can we prevent it being seen as a cheap labour market?"

Even harsher criticism has come from the Government-funded Volunteer Centre, which gives advice and information to voluntary agencies throughout the country.

Mr Peter Stubbings, the centre's deputy director, said this weekend that voluntary and other organisations were already struggling to provide employment for people on "work-experience" and other schemes, and many had already closed the door against further volunteers.

He said: "It looks as though the voluntary sector is being made a dumping-ground for problems of the labour market."

Unions would see the scheme as undercutting established wage-rates and diluting the labour market. The concept of paying workers to do such work questioned the entire concept of "voluntary" effort.

He added: "The problem doesn't stop there. The most serious problems may be structural and organisational.

"Most voluntary agencies and authorities who use volunteers, like the Health Service, can no longer cope with the unemployed who have already gone to them asking for something to do."

The Government has asked the Manpower Services Commission to prepare the groundwork for the scheme by the summer, but does not expect it to provide places for the suggested 100,000 unemployed for some time.

The TUC has already criticised the plan as being one likely to undercut established rates, and union representatives on local MSC committees would tend to be hostile to schemes put up for approval.

New Tory plans to axe education body

BY ROBIN PAULEY

THE GOVERNMENT is again considering the abolition of the Iner London Education Authority only a year after deciding reluctantly that it could not be disbanded.

The new study of how to change the administration of inner London's education system is being carried out as part of a report detailing how the metropolitan counties and the Greater London Council could be abolished.

It is doubtful whether the changes could be implemented before the next general election, although there is a feeling among some Cabinet ministers that the six metropolitan counties could be wound up quickly, and that the Government might gain electoral capital by doing so.

The options proposed for ILEA are:

- Retaining ILEA while *abolishing the GLC and having* all the authority's members nominated by the inner London borough councils from among their elected members.
- Abolishing the authority along with the GLC and having the inner London boroughs join in groups of two or three to form four inner London education committees.

The second option is gaining most favour because it would help meet the demands of some boroughs to be able to run their own education service. It could also form the basis of reorganisation of London local government because the areas covered by the new committees could be used to create just four or five unitary authorities in inner London instead of the present 12 plus the City.

A year ago the Government looked at the possibility of disbanding ILEA and passing responsibility for education to the individual boroughs. The idea was shelved because many of the boroughs are too small to run their own education service and the dispersion of buildings and pupils often could not be matched within single boroughs.

The Government's complaint about ILEA is that not all of its members are directly elected and that it is not financially accountable. It is also now run by a left-wing Labour group (compared to a moderate Labour group a year ago) and rarely passes to Conservative control even when the Tories control the GLC.

ILEA plans to spend £795m in 1982-83 requiring a rate of 71p in the pound compared with 63p in 1981-82, a rise of 12.7 per cent. The Government set ILEA an expenditure target of £680m for 1982-83, requiring a rate of 61p.

The Government's separate assessment of how much ILEA needs to spend to provide a standard level of service is £513m, needing a rate of 35p, an assessment widely accepted as being unrealistic. ILEA spends about £130m more than it would need to before it could qualify for any government grant.

While work on abolishing ILEA, GLC and metropolitan counties is proceeding apace at the Environment Department, officials at the Department of Education and Science are preparing a scheme to remove from ratepayers most of the burden of financing education.

The plan involves paying a separate block grant from central government to local councils to pay for 80 per cent of what the Government considers reasonable spending.

Food guide gives 10 top ratings

By Arthur Sandles

NINE BRITISH and one Irish restaurant have won the top awards in the latest Good Food Guide. Only one of them — the Connaught Hotel—is in London.

The guide, published by the Consumers' Association and edited by Mr Christopher Driver, rates the Connaught higher than the Gavroche, recently given three rosettes by the Michelin Guide. The Connaught's superiority comes from its wine list.

The top provincial restaurants, winning both a pestle and mortar symbol for cuisine and a wine award include Hintlesham Hall in Suffolk, Miller Howe at Windermere and the Peat Inn, Fife.

The Irish winner is the Dunderry Lodge at Dunderry, County Meath.

The change in management at the Arbutus Lodge, Cork has removed that property from its former prime placing while the guide assesses the impact of the change.

The Good Food Guide, 1982. Published by the Consumers' Association and Hodder & Stoughton, £7.50.

MacGregor optimistic on BSC recovery

By Hazel Duffy,

MR IAN MACGREGOR, British Steel Corporation chairman, is sticking to his forecast that the corporation will break even by 1983, despite rumblings among Conservative backbenchers that the recovery plan may not be on course.

Mr MacGregor said on Tyne-Tees Television yesterday: "I have to be optimistic because of the progress that has been made." He said "dramatic progress" is being made by his associates "at all levels" in the Corporation, "thereby increasingly making their future reasonably secure."

BSC is looking at the corporate plan for 1982-83 submitted to Mr Patrick Jenkin, Industry Secretary, on December 1, to decide if any changes are needed in the light of the expected legal action by U.S. steel companies to block some imports of European steel.

BSC's exports of steel to the U.S. are fairly small and mainly consist of products in short supply in the U.S. The fear, however, is that the delicate recovery in European steel prices will be threatened by U.S. action blocking the larger exports of Continental steel to the U.S., followed by efforts to sell cheaper steel in the UK market.

Mr MacGregor has told the Government continually that his plans to maintain steel capacity in the UK at 14.4m tonnes are "optimistic." He said yesterday that he was unable to say how many more jobs would have to go to make steel profitable. "We still have work to do to reach the standards where we are absolutely sure we are the best in the business," he added.

He added: "The grate tragedy of British steel is not that it reflects decline in the British Steel Corporation. It reflects a decline in the British manufacturing industries."

BSC's losses for the financial year ending on March 31 are expected still to be within the targeted range of half the record £668m loss of the previous year.

Merseyside crime rises

RECORDED crime on Merseyside in January increased more than 19 per cent compared with January 1981 according to details Mr Kenneth Oxford, the Chief Constable, will give the County Police Committee on Tuesday.

There were 12,147 offences recorded in the month, 8 per cent more than the average recorded for the previous three months.

The detection rate of 27.8 per cent was 1 per cent up on the previous year.

There was no increase in the number of woundings and assaults but burglaries in dwellings rose by just under 27 per cent and in other premises by 54.5 per cent.

Recorded crime throughout last year totalled 128,824, an increase of slightly more than 15 per cent on 1980.

An open invitation to undercut imports

BY TIM DICKSON

ALMOST £100m of new orders could come the way of British businessmen next month—provided they can match the price, quality and delivery dates of foreign manufacturers.

This is the annual value of about 600 imported components and sub-assemblies for which more than 40 leading British companies are seeking UK suppliers.

More than 10,000 large and small companies have been invited to study and quote for the items, which will be on display on April 14 and 15 at an exhibition at Centre Point, London. About 200 businesses have made firm bookings but as many as 2,000 are expected to attend.

The exhibition, Can You Make It?, features buyers, rather than sellers, exhibiting their wares.

Sir Raymond Pennock, president of the Confederation of British Industry, said: "This exhibition is a practical example of self-help and the kind of initiative we need to win more business, reduce unemployment and safeguard existing jobs."

The exhibition is organised jointly by the CBI, the London Enterprise Agency (LEntA), and the Institute of Purchasing and Supply.

Sir Raymond pointed out that imports have increased their share of home demand from 16 per cent to about 25 per cent in ten years. A 5 per cent reduction in manufactured imports would immediately create at least 50,000 new jobs, he said.

Mr Frank Griffiths, president of the IPS, said: "We need competitive sources of supply and I believe that buyers will find this a very cost-effective and worthwhile exercise."

Products on display will include a large number of engineering components and will range from microprocessor units to a baby's musical toy.

Crucial talks on BA sale centre on borrowing level

BY RAY MAUGHAN

SIR JOHN KING, chairman of British Airways, will meet Government ministers within the next 10 days to discuss the outlook for the proposed privatisation of the loss-making airline in the light of the recent financial investigation by accountants Price Waterhouse.

The Price Waterhouse report is being studied by the BA board. The report was commissioned by Sir John and he is believed to regard it as a positive contribution towards solving the airline's problems.

Central to this report and to Sir John's talks with Mr John Biffen, the Trade Minister, is the group's heavy level of borrowing. Debts are understood to have reached about £1bn and the results for the year to March 31 are widely forecast to reveal losses approaching £200m. The deficit is thought to include the £100m cost of a special severance scheme which has cut the airline's payroll by 15,000 employees since 1979 to its present level of 42,600.

The airline believes that the costs of the severance scheme will be recouped within one year by overhead savings.

The additional cost of purchasing fuel and aircraft in the wake of the dollar's rise against sterling has been partly offset by forward currency hedging.

BA shed a further 16 routes, particularly in Eastern Europe, last September in an effort to trim losses. Also, a portfolio of properties and aircraft is for sale.

The immediate problem is to re-fund the balance sheet prior to an offer for sale. The scale, on which the Government will consider writing off British Airway's debt or converting it to equity, given that the framework for lasting profitability has been established, is expected to be the focus for the impending talks.

Shipping profits likely to rise slightly this year

BY ANDREW FISHER, SHIPPING CORRESPONDENT

BRITISH shipping companies should achieve a modest improvement in profits this year after sharp declines in 1981, Phillips and Drew, the stockbrokers, state in their latest review of the industry. The recovery should gather momentum in 1983 as world trade picked up, it added.

Preliminary announcements over the next month or two are likely to show that the profits of many groups fell sharply last year, i said.

The early part of 1981 was severely affected by labour disputes, particularly at the port of Southampton, and by acute competition on cross-Channel ferries. The brokers forecast in the second half of 1981 a fall of 20 per cent in the shipping sector's pre-tax profits and a 25-30 per cent drop for the whole year.

Although port disputes continued into the second half, their impact may well have been less severe. However, freight rates fell sharly on dry cargo routes.

This year, trading conditions are likely to remain difficult in many shipping areas. But while seaborne trade may not grow much, the fleet will continue to expand.

This will put more pressure on freight rates, says the review, and operators without adequate charters for bulk-carriers are likely to see profits declining further.

But a reduction in disputes at the ports will benefit shipping companies, especially on the container side. So too will management action at some of the larger groups to cut loss-making activities.

Reserves of power 'can be lower'

By Martin Dickson

THE Central Electricity Generating Board could make *significant long-term capital investment savings* by lowering the particularly high *levels of power reserves* it has adopted to guard against black-outs.

This is the main conclusion of a report published today by the Electricity Consumers' Council, *a watchdog body. The* report says this reduction in the "Standard of security supply" *might not have any* perceptible effect on the service provided by the CEGB.

Standard of security supply is the maximum risk a generating authority is prepared to run of a shortage of equipment, leading to blackouts.

The report says the CEGB's *standards* appear in many respects to be higher than those in Europe or the U.S. and adds that a reduction in its "stringent" standards would permit a lowering of the amount of generating plant a utility aims to have in reserve.

The Consumers' Council study *says that a reduction in* the planning margin—perhaps to 22 or 24 per cent—might be possible, allowing the generating board to cut its long-term capital investment in new plant.

Rolls-Royce's suppliers feel the pinch

Hazel Duffy examines the knock-on effect of *cuts in aero-engine production*

THE CUTS in aero-engine production at Rolls-Royce is *having a serious effect on some* of the company's main suppliers of materials and components.

Their situation is worsened by the fact that they are *frequently suppliers to other aero*-engine and aerospace manufacturers also affected by the *recession.*

Rolls-Royce is at the hub of a large network of suppliers *and is one of the largest sources* in Britain for sub-contract work.

The company has cut back *from an annual production rate* of 200 RB-211 engines to to around 140 in the current year because of the fall in demand for new airliners and the phasing out of the Lockheed Tri-Star.

Production of the RB-199 engine for the Tornado is also being slowed down as a result of various governments' military programmes being stretched out

The lower usage of aero-engines in service because of the recession and the longer-to-completion military programme has had a damaging effect on demand for spares—the prime source of profit for the aero-engine manufacturers.

Lucas Aerospace has suffered *most directly as a result of* Rolls-Royce taking back some of the fabrication work it con*tracted out in more buoyant* times. There were 1,050 redundancies at Lucas's Burnley plant last month.

Johnson and Firth Brown, the Sheffield-based supplier of special steels and alloys to Rolls-Royce, is very concerned about the cutbacks.

Rolls-Royce accounted for about 12-15 per cent of group turnover in normal times, but that level of business is now running at only about one quarter of what it was then.

The peak of Rolls-Royce ordering, the group says, was about 18 months ago, current orders being equivalent to only *about 12 per cent of that level.*

As a group, JFB has rationalised extensively in basic *steel over the past year. It is* currently implementing a programme of another 250 redundancies, but in the light of the Rolls-Royce situation it is questionable whether this will be sufficient.

Redundancies have also been necessary at Short Brothers, the Belfast aerospace and components group, which makes the pods (engine housings) for the RB-211 (reduction of 950 jobs announced in January); IMI, which supplies titanium to the forgings industry for Rolls-Royce, amounting to about 10 per cent of the 1,000-strong workforce in melting and forging; Daniel Doncaster, which makes forged turbine and compressor blades for Rolls-Royce, and the discs to which the blades are fixed, cut its 400-strong workforce by 30 per cent.

Each of the companies which has suffered emphasises that the Rolls-Royce order cutback has not been the sole cause for the *redundancies. Most supply* other customers in aerospace on a worldwise basis, and the *position is little better there*—in fact, some point to the even more severe cutbacks among *component suppliers* in the U.S.

Cameron Iron Works, in Rolls-Royce orders are only about one half those of 18 months ago (it is planning on a small number of redundancies at present), but the situation for its parent company in the U.S. is considerably worse.

Government body to discuss future of wavepower

BY ELAINE WILLIAMS

A GOVERNMENT committee meets on Thursday to discuss the future of wavepower — power generated by harnessing *the energy of the sea.*

Members of the Advisory Council for Research and Development, who advise the Department of Energy about wavepower, are to consider whether the next stage of development should go ahead.

The 10 or so groups working on devices to extract energy from the waves have submitted progress reports in the hope of receiving further funding.

It is unclear whether the Government will cut funds completely to the research teams —which include Vickers, Lancaster University, Lanchester Polytechnic, Sea Energy Associates and the National Engineering Laboratory — or keep them at the present level of £3.6m a year.

Many research groups are ready to design and build large scale prototypes each capable of generating about 2Mw of electrical power. The Government would need to commit about £12m to any such project, and would probably choose only one of the designs.

Some observers feel the Government is not yet ready for such a decision and may delay for another year by continuing to fund several groups at low levels.

Young London homeless growing

BY LISA WOOD

THE PROBLEM of homelessness *in London* is shared by large numbers of single people from diverse backgrounds, according to a report published today by Housing Advice Switchboard.

The society's findings complement those of a recent £83,000 Department of the Environment study which found that the traditional image of a "drunken dosser" was completely outdated and that many homeless were young and educated.

Housing Advice Switchboard, a phone-in service geared to the *single* homeless, analysed 18,000 inquiries received in 1977-79. It said the situation was worse *now because of* higher unemployment and the closure of several London hostels.

More than 60 per cent of inquirers in the study were in *paid employment* with 18 per cent under 18 years of age, of whom 44 per cent did not know where they would sleep that night. Only one-quarter of the inquirers had been in London for less than one year, the *majority* being long-term residents.

The situations which most commonly lead to homelessness, according to the charity, are insecurity of tenure, problems with landlords, and leaving jobs with tied accommodation such as in public houses.

An unexpectedly high pro*portion of inquirers who were* assumed to be covered by the Rent Acts were found to have *little* or no protection. After this, the most frequent causes of homelessness were recent arrivals in London and domestic disputes — including those between children and parents.

The report, London's Neglected Homeless, says that a shortage of housing at prices single people can afford is the *real cause of homelessness.*

It concludes that the housing situation of single young people can "never improve while it is assumed that they can and should find accommodation in the private rented sector and there fore that *little* or no provision needs to be made by statutory agencies."

London's Neglected Homeless; 47 Charing Cross Road, £2.25.

'Too few train' in road transport skills

THERE WILL BE a chronic shortage of skilled craftsmen in road transport by the *mid-1980s* despite craft training schemes, following a plunge in apprentice *recruitment* and higher wastage rates due to the recession of the past two years.

The Road Transport Industry Training Board says in its quarterly publication Transport Training that from an *all-time* high of over 13,000 just three years ago, the number of first *year apprentices fell* to 6,359 in 1980-81. The number for 1981-82 looks set to fall to about 3,500.

Recruitment will soon be getting under way for the 1982-1983 training year and so far there is little indication that companies in the field are planning a bigger intake.

The board says this would result in, "a massive shortage of skilled craftsmen during the second half of this decade."

Overall *wastage—the number* of apprentices who, for one reason or another, do not continue their employment—has been running at just under 10 per cent over the past four years, and latest figures arouse considerable alarm.

In 1980, the Transport Training Board predicted that the road transport industry would need to recruit a total of around 25,000 new apprentices between *1980 and 1982. This took account* of a retention rate then running at 70 completed apprenticeships for every 100 recruits. But in reality, combined recruitment of first-year apprentices did not even reach 10,000 during the *period and allowing* for wastage, this means that the industry is short of some 15,000 apprentices.

Requirements for skilled craftsmen have not been as *great as was forecast* back in the 1970s. Road transport has been particularly hard hit by a decline in real living standards, reduced expenditure levels and rising unemployment.
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The board has been responsible for introducing accelerated *craft training schemes* covering such specialisations as light vehicle mechanics, heavy vehicles and vehicle body building.

Double-glaziers optimistic

BY MAURICE SAMUELSON

BRITAIN'S double-glazing industry believes it is in for a good year as a result of the confirmation in last week's Budget that double-glazing will be zero-rated for Value Added Tax.

The Chancellor's decision "clears away the clouds that have been hanging over the industry," Mr Bryan Hern, director of the Glass and Glazing Federation, said yesterday.

Speaking at the opening of a glass technology show at the National Exhibition Centre, *Birmingham, he said* that although installation of double-glazing in houses had grown substantially over the past 10 years, it would be 121 years before Britain reached the same level of window insulation as Denmark had reached in three. However, the Government had now given the industry a chance to take off.

Householders were spending £400m. a year on replacing existing windows with double-glazing, he said.

Views sought on May holidays

THE Confederaion of British *Industry is to ask its members* whether they would like the two Bank Holidays that now *fall at the* beginning and end of May to be brought together to make one long weekend.

CBI News, out today, says that businessmen have complained that a four-day working week limits production runs and that two short weeks in a month make the problem worse.

They argue there would be less disruption if both *holidays* were taken over a long weekend

Company tax-to-funds ratio up

TAXATION as a proportion of companies' total funds increased from 9.7 per cent in 1977 to 11.3 per cent in 1980, according to the first survey of such figures, published yesterday by the Central Statistical *Office.*

A special article, in the February issue of Economic Trends summarises results of the survey, which has now been discontinued as an economy measure. The results are based on a sample of companies surveyed from 1976 onwards.

The survey, which was used *for internal purposes* only, showed a pattern similar to that obtained from the published national accounts data, with some variations.

Economic Trends No. 340; SO, £9.75.

SOURCES AND USES OF COMPANY FUNDS
(per cent)

Sources	1977	1980
Profits, dividends, etc.	69.9	67.5
Government grants	1.1	0.9
Change in current liabilities	3.9	12.9
Net proceeds from share issues	2.6	4.9
Net increase in creditors	19.5	11.2
Net shares and stock for purchase of subsidiaries	1.1	0.8
Net increase in borrowing	2.0	1.9
	100.0	100.0
Uses		
Interest payable	8.8	14.9
Tax paid	9.7	11.3
Dividends	9.3	15.2
Expenditure on fixed assets	30.2	35.9
Change in value of stocks	19.4	6.6
Net increase in debtors	11.9	2.0
Other	10.7	14.0
	100.0	100.0

UK NEWS—LABOUR

Rostering still divides BR and Aslef

BY PHILIP BASSETT, LABOUR CORRESPONDENT

BRITISH RAIL and the train drivers' union Aslef go into arbitration hearing on the key productivity issue of flexible rostering as far apart as ever, according to confidential BR documents being presented to the tribunal today.

The wide differences over the issue between BR and the Associated Society of Locomotive Engineers and Firemen, which was at the centre of the recent 17-days of national rail strikes, will be emphasised by an expected vociferous lobby of the talks.

Aslef's London district No. 1 has organised a march from London's Euston station to where the Railway Staffs National Tribunal is being held. Rebel National Union of Railwaymen guards, who are also opposed to flexible rostering, will join the march.

BR is concerned about the possibility of trouble at the hearing, which some officials believe could be delayed by the protests. Security at the talks will be tight, with tickets issued to all parties.

Mr Ray Buckton, Aslef general secretary, was confident yesterday about the outcome of the tribunal, which should be known in a matter of weeks. However, BR is convinced the tribunal, chaired by Lord McCarthy, will find in its favour.

Mr Buckton said that if this was the case, BR "would get a reaction from the men."

Confidential draft minutes of the negotiations which have taken place since the McCarthy inquiry held under the auspices of the Advisory, Conciliation and Arbitration Service secured a return to work, show how firmly Aslef has stuck to its position. The minutes will be part of the evidence submitted to the tribunal today.

Minutes of a meeting on March 1 of the Railway Staff National Council, the industry's highest-level negotiating body, show BR and Aslef arguing again over the interpretation of an agreement—this time the McCarthy report which ended the strikes.

McCarthy ruled that nothing —including the elimination of the eight-hour day—should be left out of the discussions. According to the minutes, the board said that "Aslef had refused to discuss the board's proposals (on flexible rostering) and, therefore, were imposing a limitation on the issues to be examined which was contrary to the agreement signed honourably only a short time ago."

Aslef replied that it would "quite willingly negotiate if the board withdrew their proposals. If they did not withdraw, they took the view that it was the board, not being prepared to move from their position, who were not willing to negotiate."

Aslef told the meeting that it had "always been prepared to negotiate for variations around the eight-hour day, but they would never accept that this meant breaking down the guaranteed eight hours."

This apparently contradictory position, which BR in the minutes described as "a not very constructive attitude," is explained by Aslef. It says it is prepared to examine flexible rostering within the context of present agreements, which the union claims already allow BR to roster turns of up to nine hours.

This position explains what might otherwise seem to be a softening of the union's stance, according to the minutes of the February 25, of the lower-level Railway Staffs Joint Council.

According to these minutes, Mr Dick Wilcox, the meeting's chairman and BR's industrial relations director, "asked the Aslef representatives if they were saying that the Society would accept variable rosters of between seven and nine hours, providing the eight-hour guaranteed day payment was maintained.

"Aslef replied that they would certainly be prepared to consider such a situation."

● BR has put back from May until mid-July at the earliest a £100m electric commuter service between London St Pancras and Bedford

Redundancy dispute row stilled by AUEW leaders

BY PHILIP BASSETT,

MODERATE leaders of the Amalgamated Union of Engineering Workers have circumvented criticism of their handling of the Lawrence Scott redundancy dispute in Manchester, following signs that the criticism was threatening to build up to a call to remove the union's executive.

Left-wingers in the AUEW engineering section were so dissatisfied with the handling of the dispute, where the executive withdrew AUEW official support for the action of the workforce over proposed redundancies, that a campaign was started to bring the leaders to task over the issue.

Under AUEW rules, the executive may be removed from office by a ballot of the membership provided that such a ballot is demanded by 10 per cent or more of the union's branches, and that the result of any such ballot shows at least two-thirds of the members to be in favour.

Leaders of the AUEW, however, have ruled that all motions on Laurence Scott submitted for next month's meeting of the national committee are out of order.

They have ruled that all such motions could only properly be handled by a rules revision conference of the union. This year's meeting of the 91-member national committee will not have that role.

Fears by left-wingers, however, that the right would again try this year to commit the AUEW to applying to the Government for money for internal union ballots seem unfounded. No resolutions to this effect have been submitted for debate

TUC call to arms on unions Bill

The Labour movement today receives its briefing on the Employment offensive. John Lloyd, Labour Editor, studies the strategy.

THE LABOUR movement's general staff today issues the official battle plans for a "long and arduous" campaign against the Government's employment legislation. With it comes a warning for the unions' officer corps that the rank-and-file still need to be convinced that the Employment Bill attacks their basic interests.

In a report to the conference of union executives which will approve the campaign plans at Wembley in three weeks' time, the TUC's General Council says the campaign will "impose heavy demands on the already-strained TUC resources." The campaign fund of £1m—raised through a levy of 10p on all affiliated union members—is only a start, it adds.

The TUC has begun to publicise the eight recommendations it will put before the 1,200 executive members for opposing the Bill. These include TUC support for unions faced with legal action and supportive measures by other unions against the employer concerned, or wider action.

The report published today includes an analysis of the present legislation, contrasting it with the 1980 Employment Act and the ill-fated 1971 Industrial Relations Act.

There is also a list of the issues underpinning the proposed response by the Labour movement. "The general council are aware that at present trade union members do not fully grasp the dangers that the Employment Bill poses to them and the unions. This highlights the need for a mass campaign of publicity, meetings and education to inform union members and the wider public of the reasons for the TUC's policy," it says.

The general council has been determined, in framing its response, first to get maximum unity from politically-diverse union leaderships on the campaigns and second to ensure that it attracted a genuine breadth of public support. That has been lacking in recent years, with a few exceptions.

The report considers the variety of directions from which attacks might come. It admits that under the 1971 Act, "very few employers chose to launch damaging legal actions against trade unionists and many of these who did attracted criticism from other employers." Under present legislation, however, it would be open to "customers, suppliers and other parties" to initiate action against unions.

This approach, echoed elsewhere in the report, marks an attempt by the TUC to drive wedges between the Government and employers—many of whom are dubious of the legislation's value.

The report stresses the need to see the legislation as part of the Government's overall strategy: "Its real purposes are to make it harder for working people to defend their living standards and their jobs, and to undermine the bargaining strength of trade unions and thus the movement's ability to promote alternative policies to the deflationary path now being pursued by the Governmnet."

Teachers criticised over pay action

BY OUR LABOUR STAFF

TEACHERS were criticised yesterday for taking industrial action over their pay claim when salary negotiations had barely started.

Teachers have been refusing to supervise children at meal times because the management side of the Burham negotiating panel refuse to allow this year's pay award to go to arbitration.

Teachers' leaders will meet the employers again this week. Further action has been threatened if the refusal to go to arbitration is repeated.

Mr Horrell, chairman of the Association of County Councils, which unlike the Labour-controlled Association of Metropolitan Authorities is still standing out against arbitration, said yesterday there had been a "serious misunderstanding."

He said: "Teachers believe that salary negotiations have been going on for a long time and have broken down in deadlock." He said the Burnham panel had discussed this year's teachers' pay away for only two hours.

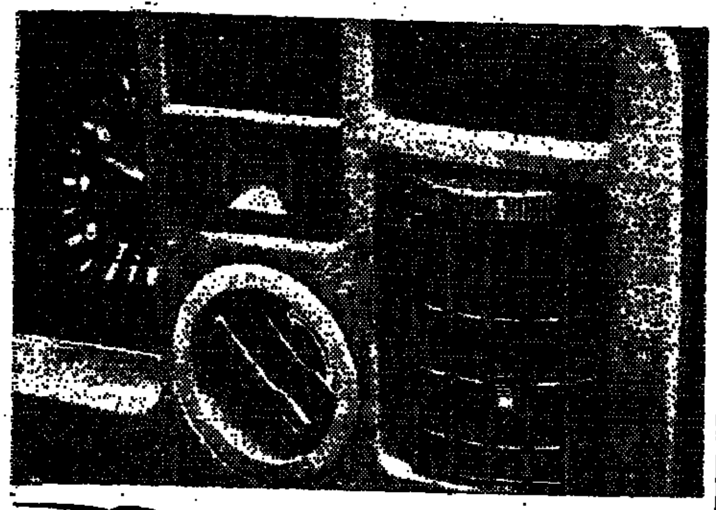
BASE LENDING RATES

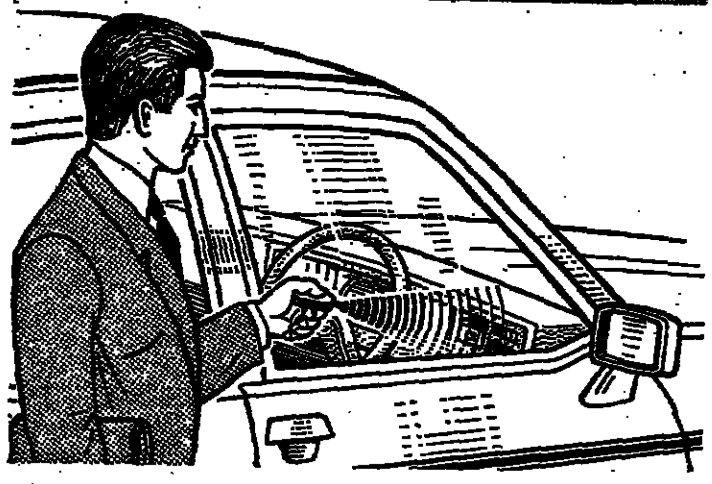
A.B.N. Bank	13 %	Robert Fraser	14 %
Allied Irish Bank	13 %	Grindlays Bank	‡13 %
American Express Bk.	13½%	■ Guinness Mahon	13 %
Amro Bank	13 %	■ Hambros Bank	13 %
Henry Ansbacher	13 %	Heritable & Gen. Trust	13 %
Arbuthnot Latham	*13 %*	■ *Hill Samuel*	*§13½%*
Associates Cap. Corp.	13 %	C. Hoare & Co.	† 13 %
Banco de Bilbao	13 %	Hongkong & Shanghai	13 %
BCCI	13½%	Knowsley & Co. Ltd.	13½%
Bank Hapoalim BM	13 %	Lloyds Bank	13 %
Bank Leumi (UK) plc	13 %	Mallinhall Limited	13 %
Bank of Cyprus	*13 %*	*Edward Manson & Co.*	*14½%*
Bank Street Sec. Ltd.	15 %	Midland Bank	13 %
Bank of N.S.W.	13½%	■ Samuel Montagu	13 %
Banque Belge Ltd.	13½%	■ Morgan Grenfell	13 %
Banque du Rhone et de la Tamise S.A.	13½%	National Westminster	13 %
Barclays Bank	13 %	Norwich General Trust	13 %
Beneficial Trust Ltd.	14½%	P. S. Refson & Co.	13½%
Bremar Holdings Ltd.	14 %	Roxburghe Guarantee	14½%
Bristol & West Invest.	15 %	E. S. Schwab	13 %
Brit. Bank of Mid. East	13 %	Slavenburg's Bank	13 %
■ Brown Shipley	13 %	Standard Chartered	‖13 %
Canada Perm't Trust	14 %	Trade Dev. Bank	13 %
Castle Court Trust Ltd.	13½%	Trustee Savings Bank	13 %
Cavendish G'ty T'st Ltd.	15½%	TCB Ltd.	13 %
Cayzer Ltd.	14 %	United Bank of Kuwait	13 %
Cedar Holdings	14 %	Whiteaway Laidlaw	13½%
■ Charterhouse Japhet	13½%	Williams & Glyn's	13 %
Choulartons	14 %	Wintrust Secs. Ltd.	13 %
Citibank Savings	*¶14 %*	Yorkshire Bank	13 %
Clydesdale Bank	13 %		
C. E. Coates	14 %		
Consolidated Credits	13½%		
Co-operative Bank	*13 %		
Corinthian Secs.	13 %		
The Cyprus Popular Bk.	13 %		
Duncan Lawrie	13 %		
Eagil Trust	13 %		
E.T. Trust	13½%		
Exeter Trust Ltd.	14½%		
First Nat. Fin. Corp.	16½%		
First Nat. Secs. Ltd.	16½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 10%, 1-month 10.25%. Short term £8,000/12 month 12.6%.
† 7-day deposits on sums of: under £10,000 10¼%, £10,000 up to £50,000 11%, £50,000 and over 11½%.
‡ Call deposits £1,000 and over 10%.
‖ 21-day deposits over £1,000 11¼%.
§ Demand deposits 11%.
¶ Mortgage base rate.

TECHNOLOGY

EDITED BY ALAN CANE





Renault makes light of key to the door

BY JOHN GRIFFITHS

RENAULT IS introducing remote-controlled central door locking on its most expensive 20 and 30 series models.

A special key-ring incorporating a matchbox-sized transmitter controls the system, which uses infra-red rays. The transmitter is powered by three 1.5 volt batteries. A conventional door key is retained, but only as a back-up.

The system is activated by the driver pressing the transmitter while within the line of sight of the dashboard-mounted receiver.

Renault says that the 59,000 combinations provided means that the possessor of the transmitter would have less chance of opening any other car than his own than of winning a prize in the French national lottery.

Pye takes new steps in spectrophotometry

BY MAX COMMANDER

PYE UNICAM of Cambridge, part of the Philips Science and Industry Division, has announced three new products in its range of analytical equipment.

These went on show for the first time last week at the annual exhibition of the Pittsburgh Society for Analytical Chemistry in Atlantic City.

Pye claims to be challenging the high performance ultra-violet spectophotometry market with the PU 8800. This is available with single or double monochromators and holographic gratings rather than replicas.

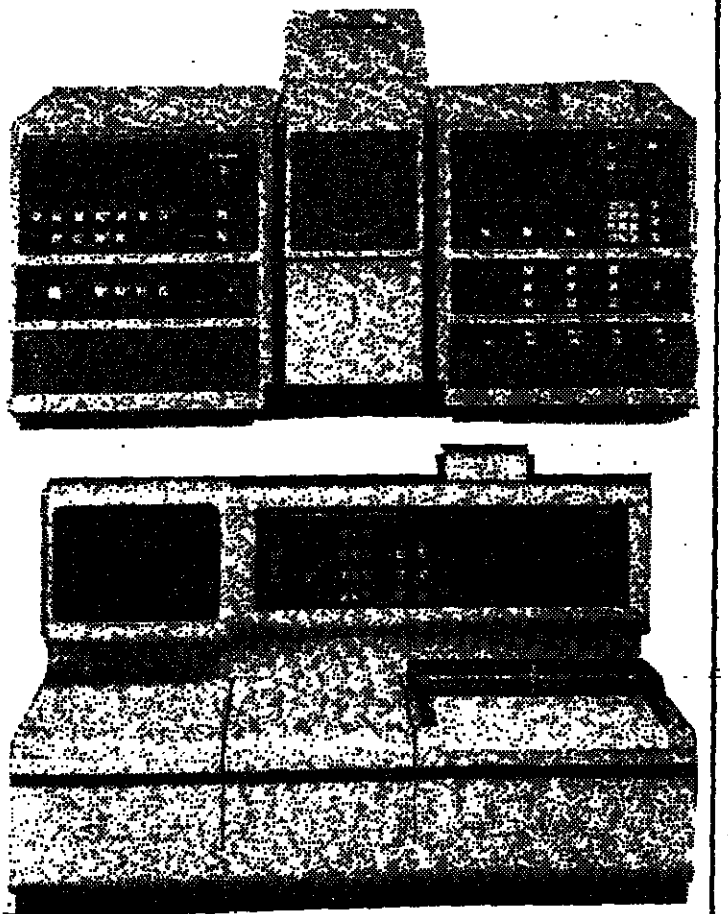
A self-test program calibrates the instrument to deuterium emission lines, checks absorbance readout against three filters, displays lamp age energy, and is able to indicate the nature of electronic optical and mechanical faults.

Second in the range is the ion selective meter, the PW 9415, which offers direct measurement of mV, pH pX 0°C and concentration together with incremental methods of standard addition and subtraction. A low-level concentration mode helps the operator to obtain results, even when the electrode has a non-linear response.

Standard features include an anti-spill membrane keyboard, analogue output for a recorder, and says, Pye, it has been designed as a low-cost alternative to the PW 9418 model.

Number three on in Atlantic City was the PU 9000 which for multi-element atomic absorption can select and optimise conditions for each element during an automatic multi-element run.

Pye Unicam is at York Street, Cambridge, and full details and literature are available on 0223 358866.



Pye's new machines: above, the PU 9000 atomic absorption device; below, the PU 8800 high performance UV/VIS challenger.

Local nets make hotel debut

BY GEOFFREY CHARLISH

USING LOCAL area networking, Automatic Revenue Controls of Watford in conjunction with Exxon's microcomputing company Zilog, has developed an approach that links the growing number of computerised hotel functions into a reliable, integrated system for the day-to-day running and management of hotels.

Called Guestkey, the system makes use of Zilog's Z-net local area network (LAN) operating over coaxial cable strung round the building.

Comprehensive communication takes place between several microcomputers, each carrying out specific functions. Guestkey has been implemented at Grosvenor House Hotel in London and other hotels in the Trust House Forte group "are expected to follow suit."

These new networks get away from the idea of a central computer in control of everything. Instead, a number of micros share the same central data file (held on disc) and can talk directly to each other. If one of the micros should fail, the others can often carry on with their work, continuing to share peripheral devices as necessary.

There is therefore, much less chance of a computer failure bringing the whole hotel to a virtual standstill.

In a typical installation, one of the micros would look after reservations and accounts while another is coping with room management and security. Yet another would log guests' telephone traffic expenditure.

Visual display terminals are connected as needed in front and back offices and in the telephone exchange. Each of the micros is connected to a common "bus" or data highway, via its own data send/receive unit.

Also connected to the bus is a special room key issuing terminal and another system that keeps a tally of all the guests' transactions in the hotel restaurant.

How does it work for the guest? On arrival, he is issued with a plastics key with patterns of notches along each edge. The patterns are sensed when the key is placed either in the lock, or in the key issuing terminal.

A room is allocated by the clerk simply by placing the key in the terminal and using the keyboard to enter the number of the allocated room.

Each room door has an electromagnetic lock controlled by a built-in microprocessor and notch sensing unit. Each room's micro is in communication with the appropriate computer downstairs.

When the guest inserts his key (he does not have to turn it), unless the notch pattern sensed is the same as the one programmed for that guest on arrival, the door will not open. Indeed, any attempt to insert an improper key raises an alarm signal on management's VDU's.

The key issued remains valid only for the duration of the guest's stay. What he does with it after that is of no consequence: because of the millions of possible combinations of notches, the chances of it ever opening a room in that hotel again are extremely remote.

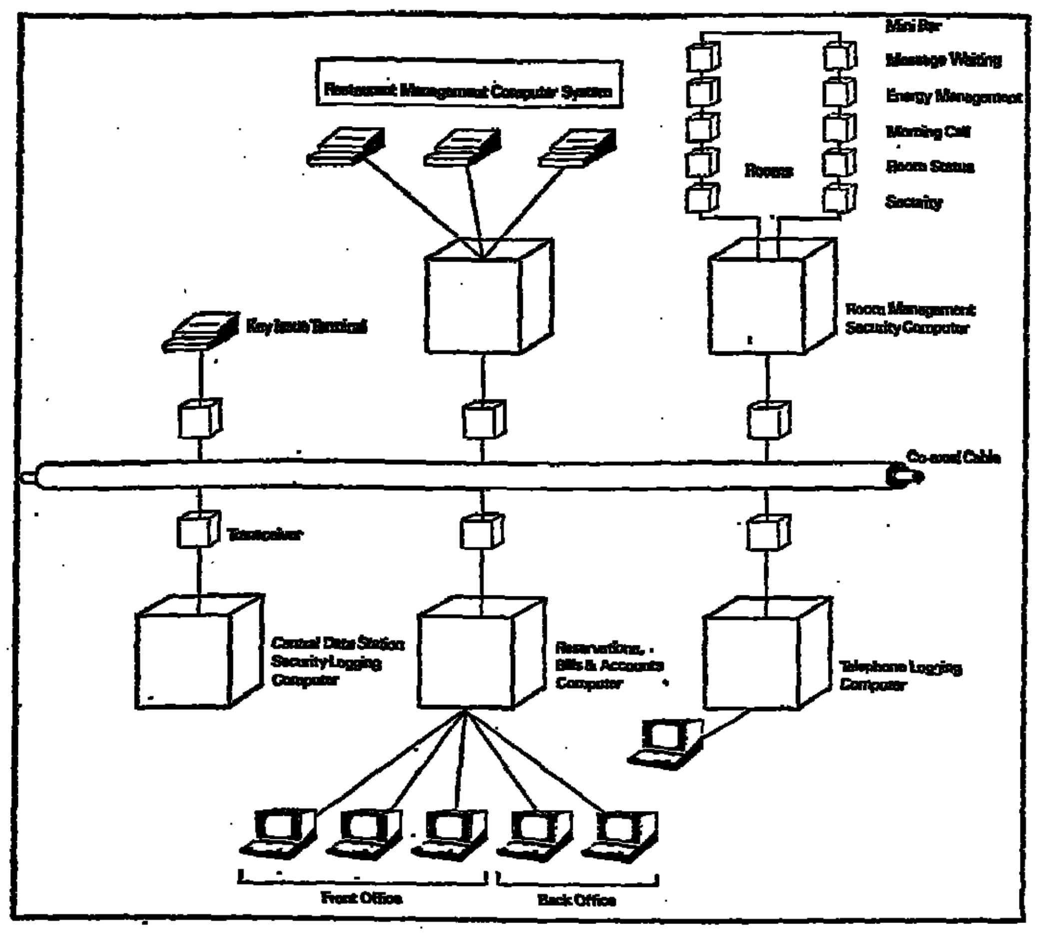
This notch arrangement allows useful variants. For example, master keys that open specific rooms for specific periods can be generated. Or, special keys can be deployed that will send status signals back to the computer.

Thus, when a maid has serviced the room, insertion of a key will produce a "maid completed" message on the VDU. Similarly, persons authorised to say, issue or cancel keys, themselves use a special key to allow them to operate the terminal.

Who is issuing keys, what keys are issued and each use of a key in a lock is logged by the computer and printed out, so that the precise position is always known. Attempts at unauthorised access are also printed out, showing time and type of interference.

Apart from the high level of security achieved, Guestkey will also cut the hotel's fuel bills. After entering his room, the guest uses the key to activate lighting and heating, which he then controls to personal preference. But when he leaves, extraction of the key from the lock switches the lights out and cuts the heating.

It is also possible to use the system to make phone calls from the room and for other purchases within the hotel.



Uncommon use of Common Law

MUCH OF the fuss and bother over the Croydon Crown Court decision to bind over a black youth convicted of theft on condition he leave the country for Jamaica and not return for five years stemmed from ignorance of the law and ill-directed criticism of the judge.

The law under which the judge acted has existed from time immemorial. It has been acknowledged in recent legislation. It has been used against at least one white, British-born citizen in recent years.

The issue focuses on the extent to which the law may properly restrict the citizen's freedom of movement. There is a vital distinction between, on the one hand, a restriction on the freedom of individuals that is imposed by criminal courts in the ordinary course of the administration of justice, and, on the other an order made by a criminal court for the purpose of securing the deportation of a person or his banishment from the country to which he belongs, either as a national or one ordinarily resident in this country.

In the former category fall imprisonment and probation orders conditional on residence in some specified place within the UK.

An order binding over an offender to come up for judgment with a condition of residence—which is the power the Circuit Judge exercised—designed to secure the offender's return to his home environment.

A bind-over designed, however, to remove the person for some ulterior reason—for example, simply to rid the country of the offender's presence, even temporarily—would be tantamount to banishment. Banishment as a legal sanction could be justified only on grounds of public policy or public security (such as is effected by the Prevention of Terrorism [Temporary Provisions] Act 1976).

The power to bind over an offender is exercised by courts by virtue of the Common Law of England, although it has been on two recent occasions specifically preserved by legislation.

There are two broad situations where the bind-over may serve a legitimate and useful purpose of penal policy. In the case of the alien normally resident abroad it may be preferable for all concerned that the court rather than require him to serve a term of imprisonment

THE WEEK IN THE COURTS

BY JUSTINIAN

in England (with all that that means in terms of personal hardship and cost to the public in this country give him the choice of returning to his own country, a lesser sanction than deportation.

The other case is that of an offender, particularly a young offender, who has moved away from his home environment to a place where he has come under undesirable influences. Here again, the ends of justice may be better served by restoring him to his home environment instead of punishing him.

Four years ago at Bristol Crown Court a young woman who was a UK citizen was convicted of stealing a National Savings bank-book.* She was ordinarily resident in England but expressed to the court both a desire to go to live in Northern Ireland, where her boyfriend was then living, and a willingness to be bound over on condition she did just that.

The court ordered her bound over in her own recognisance of £50 to "come up for judgment on or after January 16 1978 unless she proceeded to Northern Ireland before that date and does not enter England or Wales for a period of three years." She signed the recognisance in those terms.

The order did not require her to stay in Northern Ireland, nor could it once she had gone there. She complied with the order but returned to Wales six months later. There she was arrested and brought back to Bristol Crown Court.

The court was then empowered to proceed forthwith to sentence her for the original offence of theft, or to order forfeiture of her £50 recognisance, or both. Her counsel then ingeniously argued that the bind-over was made in breach of Article 48 of the Rome Treaty, that it was an impermissible restriction on a worker's freedom of movement. (It was conceded she was in employment at the time.) The judge at the Bristol Crown Court referred the case to the European Court of Justice at Luxembourg.

That court saw nothing wrong in a member-state of the European Economic Community depriving or restricting a worker's freedom of movement as a penal measure in implementation of its own criminal law. It was impressed by the fact that any civilised system of justice may properly make restrictions as to the residence of offenders in pursuance of the need to keep offenders out of further trouble with the police.

Indeed, every day of the week magistrates' courts are making probation orders with a condition of residence, either at a probation hostel or at some other private residence. No one suggests this is not a permissible power.

To achieve the same effect outside the UK, where there are no reciprocal arrangements for supervision of offenders, courts occasionally resort to the bind-over, conditional on residence abroad. So long as the offender is entitled to reside in the particular country abroad, no hard is done. The only difference is that there can be no official supervision of the offender abroad.

The instances where it is appropriate to order a person to stay away from this country, where he has been residing until his offence, must necessarily be rare. Special care needs to be taken to avoid any public inference that the power is being exercised as an instrument of policy not in accord with the law or with official immigration policy.

The temporary banishment of a black youth is bound to arouse an outcry that the court is discriminating racially. The almost Pavlovian reaction of some libertarian organisations that the court is exhibiting racialism (even where the allegation is palpably unfounded) must lead any court to be chary of provoking such irresponsible criticism.

If the court feels justified in its action it must take care in explaining publicly why it is doing it. It will feel justified if the circumstances of the case point strongly towards a return to a country where the offender will in the near future be more culturally attuned.

Such a potent penal sanction in the hands of a Crown Court judge must be reviewable by the appeal court. (The power does not exist for magistrates.) The only defect in the present law that requires urgent remedy is that the bind-over is not a "sentence" against which there is a right of appeal.

Although the solicitors for the black youth have lodged a notice of appeal, the Appeal Court will be bound to decline jurisdiction. The order of Croydon Crown Court will have to stand. No doubt, for the benefit of a public puzzled by the uncommon use of a Common Law power and the unbridled criticism from some quarters, the Lord Chief Justice will take the opportunity of explaining what the order entails.

The Law Commission, which is studying the whole problem of bind-overs, will doubtless pronounce on its propriety. Meanwhile MPs engaged on the committee stage of the Criminal Justice Bill might feel disposed urgently to confer a right of appeal.

* *R v Saunders [1980] QB 72.*

TELEVISION

Chris Dunkley: Tonight's Choice

You have to hunt for the goods tonight, and go to radio if your taste is for fiction. On television the best bets are fact programmes and, as usual, the most interesting overlap. In *Imagined Worlds* on BBC-2 Dan McKenzie recalls the discovery 15 years ago of "plate tectonics" (of which he was among the originators), the theory which provides models for the rate of oil formation, and explains the structure of mountains and the occurrence of earthquakes and volcanoes.

Horizon comes up with yet another programme determined to find a flaw of some sort in Japan's extraordinary post-war success story. That clashes with the last in BBC 1's notorious Police series which today is called "A Busy Saturday Night."

At 9.00 Radio 3 presents James Mason reading Vladimir Nabokov's short story *The Assistant Producer* which is set midst an enclave of white Russians in Paris; and at 11.00 in *A Book At Bedtime* Radio 4 broadcasts the first of a 20-part adaptation of "Gorky Park," read by Gavin Campbell.

BBC 1

6.40-7.55 am Open University (uhf only). 9.08 For Schools, Colleges. 10.00 You and Me. 10.15-12.07 pm For Schools, Colleges. 12.30 News After Noon. 1.00 Pebble Mill at One. 1.45 Camberwick Green. 2.01-3.00 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Mighty Mouse. 4.25 Jackanory. 4.40 Scooby and Scrappy Doo. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Ivor the Engine.

5.40 News.
6.00 Regional News Magazines.
6.25 Nationwide, including "Watchdog."
6.55 Doctor Who, starring Peter Davison.
7.20 Bret Maverick, starring James Garner.
8.10 Panorama.
9.00 News.
9.25 Love Story: Alexa, starring Isla Blair, Christopher Blake
9.50 Police: Inside Thames Valley Constabulary (A Busy Saturday Night).
10.40 Film 82 with Miles Kington.
11.10 Pete Sayers Entertains from the stage of The Snape Maltings.
11.33 News Headlines.
11.35 Speak for Yourself: Your Rights and the Police.

BBC 2

6.40-7.55 am Open University.
10.35 Speak for Yourself.
11.00 Play School.
11.25 Write Away.
2.00 pm Long, Short and Tall Stories.
2.40 Other People's Lives.
3.05 The Computer Programme.
†3.30 Star Movie: "A Yank at Oxford," starring Robert Taylor.
5.10 Who'll be Mother?
†5.40 Laurel and Hardy in "Live Ghost."
6.00 Maggie.
6.25 Mr Smith's Favourite Garden.
6.50 News Summary.
6.55 Riverside.
7.35 Spine Chillers.
7.45 Imagined Worlds.
8.15 Marti Caine.
9.00 The Mike Harding Show.
9.30 Horizon.
10.20 The Blues.
10.45-11.35 Newsnight.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 That's the Way. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 About Britain. 2.00 Money-go-Round: Joan Shenton and Tony Bastable investigate consumer problems. 2.30 pm Monday Matinee: "The Jokers," starring Oliver Reed and Michael Crawford. 4.15 Dr Snuggles. 4.20 Graham's Ark. 4.45 Murphy's Mob. 5.15 Mr and Mrs.

5.45 News.
6.00 Thames News with Andrew Gardner and Rita Carter.
6.25 Help! with Viv Taylor Gee.
6.35 Crossroads.
7.00 Nature Watch.
7.30 Coronation Street.
8.00 Dead Ernest.
8.30 World in Action.
9.00 Hill Street Blues: Daniel J. Travanti in "The Spy Who Came in From Delgado."
10.00 News.
10.30 "Minstrel Man," starring Glynn Turman, Ted Ross and Stanley Clay.
12.25 am Close: "Sit Up and Listen," with Dr Anthony Storr.

†Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 2.30 Monday Film Matinee: "Wild and Woolly" (TV movie). 5.15 University Challenge. 6.00 About Anglia. 10.30 Anglia Reports. 11.00 The Palace Presents. 12.00 Superstar Profile. 12.30 am The Chap Next Door.

BORDER

1.20 pm Border News. 2.00 Film: "Evil Roy Slade." 3.45 Money-Go-Round. 5.15 Bygones. 6.00 Lookaround Monday. 6.15 Canon in the Kitchen. 6.30 Mr. and Mrs. 10.30 Conference Report: The Labour Party in Perth. 11.30 Rugby League Action. 12.15 am Border News Summary.

CENTRAL

1.20 pm Central News. 2.00 The Monday Screen Matinee: "Double Bunk," starring Ian Carmichael and Janette Scott. 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 Central News. 10.30 Parents and Teenagers. 11.00 *Central News.* 11.05 *Left, Right and Centre.* 11.45 Paris By Night. 12.15 am Come Close.

CHANNEL

12.30 pm Election '82: The Guernsey Election for Deputies. 1.20 Channel Lunchtime News, What's On Where and Weather. †2.30 The Monday Matinee: "To Be Or Not To Be." 5.15 Emmerdale Farm. 6.00 Channel Report. 6.30 The Two Of Us. 10.28 Channel Late News. 10.35 Ladies' Man. 11.05 Golfing Greats (Tony Jacklin). 11.30 Tenapeed and Brown Shoe. 12.25 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. †2.30 Monday Matinee: "Jet-storm," starring Richard Attenborough, Stanley Baker and Hermione Baddeley. 6.00 North Tonight. 6.30 Country Focus. 10.30 Conference Report — report of this year's conference of the Labour Party in Perth. 11.30 The Palace Presents. 12.25 am North Headlines.

GRANADA

1.20 pm Granada Reports. 2.30 Monday Matinee: "Candidate For A Killing," starring John Richardson. 5.15 Dick Turpin. 6.00 Private Benjamin. 6.30 *Granada Reports.* 9.00 *Quincy.* 10.30 Danger UXB. 11.30 RL Action. 12.15 am The Odd Couple.

HTV

Matinee: "True As A Turtle," starring John Gregson. 5.15 Diff'rent Strokes. 6.00 HTV News. 10.28 HTV News. 10.30 Soap. 11.00 Parents and Teenagers. 11.30 The Living Legends of Jazz and Blues: James Cotton Band. HTV Cymru/Wales—As HTV West except:—12.00-12.10 pm Dacw Mam Yn Dwad. 4.15-4.20 Mr Magoo. 4.45-5.15 Sêr. 6.00 Y Dydd. 6.30-7.00 Report Wales. 8.30 Yr Wythnos. 9.00 Hill Street Blues. 11.00 World in Action. 11.30-12.00 Parents and Teenagers.

SCOTTISH

1.20 pm Scottish News. 2.00 Monday Matinee: "Make Me An Offer," starring Peter Finch and Adrienne Corri. 3.45 Money-Go-Round. 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.40 Crimedesk. 10.30 Conference Report. 11.30 The Monte Carlo Show. 12.25 am Late Call.

TSW

1.20 pm TSW News Headlines. †2.30 "To Be Or Not To Be," starring Carole Lombard, Jack Benny and Robert Stack. 4.12 Gus Honeybun's Magic Birthdays. 5.15 Emmerdale Farm. 6.00 Today South West. 6.30 The Two Of Us. 10.32 *TSW Late News.* 10.35 Ladies' Man. 11.05 Golfing Greats (Tony Jacklin). 1.30 Tenapeed and Brown Shoe. 12.25 am Postscript. 12.30 South West Weather.

TVS

1.20 pm TVS News. 2.30 Monday Matinee: "Fancy Pants," starring Bob Hope and Lucille Ball. 5.15 Radio. 5.30 Coast To Coast. 6.00 Coast To Coast (continued). 6.30 Emmerdale Farm. 10.30 A Full Life—Sir John Clements. 11.00 Thriller: "Murder Motel." 12.25 am Company.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 2.30 Monday Matinee: "The House in Nightmare Park," starring Frankie Howerd and Ray Milland. 5.15 Diff'rent Strokes. 6.00 North East News. 6.02 Mr and Mrs. 6.30 Northern Life. 10.30 North East News. 10.32 Briefing. 11.15 Hammer House of Horror. 12.10 am Free Church Congress.

YORKSHIRE

1.20 pm Calendar News. 2.30 Monday Matinee: "Sky West and Crooked," starring Hayley Mills and Ian McShane. 5.15 Mr and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 It's A Vet's Life. 9.00 Quincy. 10.30 With A Little Help. 11.00 RL Action. 11.45 Superstar Profile.

RADIO

(S) Stereophonic broadcast

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Andy Peebles. 5.00 Peter Powell. 7.00 Stayin' Alive with Andy Peebles. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 pm Don Durbridge (S). 4.00 David Hamilton (S). 5.45 News: Sport. 6.00 John Dunn (S). 8.00 Folk on 2 (S). 9.00 Humphrey Lyttleton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 The Monday Movie Quiz with Ray Moore. 10.30 Star Sound with Nick Jackson. 11.00 Brian Matthew with *Round Midnight.* 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (s). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Jean-Philippe Rameau. 10.00 Music For Organ (s). 10.45 Cello and Piano recital (s). 11.30 Mahler's Tenth Symphony (s). 1.00 pm News. 1.05 BBC Lunchtime Concert (s). 2.00 Matinee Musicale (s). 3.00 The Best Laid Plans . . . (s). 3.45 New Records (s). 4.55 News. 5.00 Mainly for Pleasure (s). 7.00 *Soviet Life Through Official Literature.* 7.40 Handel (s). 8.00 Byrd and His Contemporaries (s). 9.00 The Assistant Producer (story by Vladimir Nabokov). 9.30 BBC Scottish Symphony Orchestra (s). 10.30 Jazz in Britain featuring the Elton Dean Quintet. 11.00 News. 11.05-11.15 Hervey Alan, The British bass, who died in January (s).

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.35 The week on 4. 8.43 John Ebdon delves into the BBC Sound Archives. 8.57 Weather. 9.00 News. 9.05 Start the week with Richard Baker (s). 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Down Your Way. 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 Semi-circles with Paula Wilcox and David Wood. 12.55 Weather, travel, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour visits India. 3.00 News. 3.02 Afternoon Theatre (s). 5.00 PM: News Magazine. 5.50 Shipping forecast. 5.55 Weather, programme news. 6.00 News; including Financial Report. 6.30 Just a Minute (s). 7.00 News. 7.05 The Archers. 7.20 Start the week with Richard Baker (s). 8.00 The Monday Play (s). 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

RACING

BY DOMINIC WIGAN

AT CHELTENHAM much is certain to hinge on the weather over the next few days. An entirely different complexion would be put on many of the festival's 18 races by drying winds and sunshine affecting the expected testing ground.

At present, holding or at best, soft ground again looks likely. For this reason the Irish, with about 50 runners over the three days, seem sure to pick up some good prizes.

PTS Racing has been first to offer prices against the number of Irish victories. They have probably got it about right in making five wins favourite at 3-1, in narrow preference to four and six successes bracketed at 7-2.

The weathermen seem to think the West is in for more heavy showers over the next couple of days. If these arrive there will be plenty of justification to expect Bold Agent, Direct Call, Royal Bond, Drumgora, Door Step and Eliogarty to oblige or to come close to scoring for Ireland.

In the opening Waterford Crystal Supreme Novices Hurdle, Bold Agent's principal opponent, Half Free, will be at a distinct disadvantage if the ground is sticky. Another leading English hope, Compton Lad, cannot be expected to trouble Eliogarty if they clash under those conditions in the Christie Foxhunters.

Night Nurse, too, will be extremely hard-pressed to last out the Gold Cup trip fully, in holding ground. Here again the chance of Ireland's principal hope, Royal Bond, will improve with each drop of rain.

It is difficult to become excited about today's fare at either Southwell or Ayr. Anyone intending to bet, however, will do well to consider French Lord, dropped in class for the Scottish course's opening division of the Novices Hurdle, and French Rebel, among the runners for Southwell's Edward Hanmer Memorial Chase.

AYR
1.45—French Lord***
2.15—Killamonan
2.45—China God
3.15—Lifestyle
3.45—Dark Pearl
4.15—Twice Times
4.45—Primrose Wood

SOUTHWELL
3.00—French Rebel**
4.00—Gintop*

BUILDING AND CIVIL ENGINEERING

Budget boasts examined

PUBLIC SECTOR authorities may have underspent on their construction budgets by approaching £500m in the current financial year, according to some building industry analysts who have been scrutinising last week's expenditure white paper.

The actual level of underspending is masked because relevant figures showing original cash projections of expenditure in 1981/82 are excluded from the white paper. The Treasury says that these figures are not readily available.

It is nevertheless possible, by using the Treasury's own guidelines, to arrive at a reasonable estimate of what cash figure the Government had allocated for public sector capital construction programmes when it made its forecasts in March last year.

If all the funds then indicated as available for construction had been taken up, then expenditure in 1981-82 might have been expected to have been in the region of £9.4bn to £9.5bn. Instead, spending in 1981-82 is estimated to have been just over £9bn.

The figures represent more than just complex arithmetical gymnastics of the kind favoured by economists. They are important if sense is to be made out of the Chancellor's budget boast that public sector capital construction expenditure is set to rise by 14 per cent in 1982-1983.

The Chancellor is comparing actual expenditure in a year during which there has been substantial underspending with a forecast figure for 1982-83 which takes no account of the fact that public authorities traditionally underspend on their construction budgets. It is not strictly a study of comparables.

A more correct (but possibly less expedient) procedure might have been to compare original cash projections for spending in 1981-82 with present cash projections for 1982-83—after allowing for lower rates of inflation for construction costs compared with other parts of the economy.

On this basis the Chancellor's forecast of a 14 per cent increase might be reduced to a 7 or 8 per cent rise. After allowing for current estimates for construction industry inflation in 1982-83, this might be expected to leave the industry doing little better than standing still. At best there might be only a marginal improvement in real terms.

This kind of perspective is important if the industry is not to run away with the impression that it has gained more from last week's budget than actually is the case.

The levels at which public authorities traditionally underspend on permitted budgets is critical to any analysis. In recent years the nationalised industries have been significant among the underspenders. Last year the nationalised industries are though to have underspent by £300m—exactly the same amount by which their "forecast budget" has been increased in 1982/83.

Nevertheless the Chancellor's construction package, including higher home improvement and loft insulation grants and the raising of stamp duty thresholds on house purchases, has been welcomed by most construction industry chiefs as a "modest improvement."

However it is debatable how much these measures will mean to the construction industry in terms of "new money." In this vein it is worth remembering that Government's commitment to higher home improvement grants is not open-ended. The Environment Department says that a ceiling of just over £74m has been set for Government contribution to the cost of grants. Any extra money will have to come from existing local authority housing budgets.

Equally the decision to maintain VAT zero-rating for certain building alterations is not giving the construction industry something it did not have before.

On a more practical level the decision to reduce national insurance surcharges will undoubtedly assist a labour intensive industry like construction.

The general thrust of the Chancellor's measures will, on balance, be appreciated, as will his comments about the need to assist construction. There is some substance in the budget measures but perhaps not as much as the Chancellor would like the industry to believe.

ANDREW TAYLOR

£1bn Pakistan power project

BRITISH CONSULTING engineers have been appointed by the Water and Power Development Authority, on behalf of the Government of Pakistan and the World Bank, to lead an international group of five consulting firms to design the £1,000m Kalabagh hydro-electric project.

Binnie and Partners of London will lead the joint venture, comprising Harza Engineering Co. International of Chicago, Preece Cardew and Rider of Brighton, Associated Consulting Engineers of Karachi and National Engineering Services of Lahore. The services of the expatriate consultants are to be financed by the UNDP with the World Bank acting as the executing authority.

Binnies have a wide experience in this field, and are leading other important overseas projects such as that in Peru reported on this page on February 15.

The Kalabagh dam will be the second major dam on the River Indus, sited about 160 km downstream of Tarbela. Kalabagh will be about 80 metres high and nearly 4 km long; it will create a reservoir 150 km long. The installed power capacity will be about 1,760 MW to be used largely to meet the growing need for power in the Indus Valley.

Investigations and tender designs are to be completed in 45 months. Construction is planned to be completed and the power plant commissioned in 1993.

New capital in Nigeria

GILLINSON BARNETT and Partners, architects, engineers planners of Leeds, have been appointed to undertake the infrastructure planning and engineering design work for a major sector of the new Nigerian capital city of Abuja.

The brief involves the design of some six miles of high-grade highways, 14 bridges, sewerage and sewage disposal works and electrical, telecommunications, and water supply infrastructure, with an estimated construction cost of approximately £30m.

Water industry launches world market attack

BRITAIN'S SUPPLIERS of equipment and services for the water industry have joined to form a new body, the British Water Industries Group, to try to win a bigger share of rapidly-growing world market in water supply and treatment projects.

The group, which has the backing of the UK Government and of public and private sector bodies in the industry, will organise overseas missions, act as a contact point for foreign clients, and will generally try to act as a catalyst for the winning of contracts.

To bring this about it will distribute market intelligence about major projects and will bring together organisations involved at different stages in the supply and manufacture of water industry equipment to form consortia to bid for overseas deals.

The BWIG, which has appointed Mr Dennis Musgrave, chief water engineer at the Department of the Environment, as its director was set up following a meeting organised by Mr Michael Heseltine, the Secretary for the Environment, some 18 months ago which sought to analyse how Britain might perform better in overseas markets in competition with suppliers from the U.S., Japan, West Germany and France. The group's first chairman is Mr Frank Sanderson, chairman of Ames Crosta Babcock one of the main UK suppliers of Water treatment equipment.

The UK, Mr Musgrave points points out, is particularly well-placed to offer expertise in water supply to the rest of the world. Though it is a fact the UK water ratepayer might not appreciate, Britain is ahead of the rest of the world in organising its water supply through ten main authorities, responsible for catchment, distribution and disposal. Before re-organisation in 1974 these functions were carried out by more than 1,300 different bodies, and in most of the rest of the world a similar locally based service still applies.

Re-organisation in Britain has created a group of authorities capable of offering advice on the efficient management of water undertakings and several have set up consultancies for this purpose. One authority has developed links with the Caribbean where it has seconded staff to help run undertakings and this has produced a spin-off in orders for UK equipment.

For their part, British consulting engineers have also had considerable success in winning contracts for the design of major water schemes, but this has not generally been translated as fully as it might into orders for UK contractors and equipment suppliers.

Another asset which Britain ought, in theory, to be able to capitalise on is its recent experience with a number of major domestic projects. The Kielder Water Scheme now being completed in Northumberland at a cost of more than £160m is the largest dam ever constructed in Europe. The Tyneside sewerage scheme, involving the installation of a mains system to serve Newcastle and Gateshead in place of river discharge, is similarly one of the biggest projects of its kind ever attempted.

UK failure

The UK's failure to use this base to create for itself a much stronger position as a supplier to the world's water schemes is blamed on excessive fragmentation, particularly on the equipment side, where the UK industry is broken down into many more small companies than its main overseas rivals.

BWIG will develop a package approach bringing together the suppliers of different items to bid jointly for contracts and will put its weight, where appropriate, behind single British bids. This will be done through the relevant trade associations covering the different sectors of the industry, all of which have taken out membership of BWIG.

RHYS DAVID

CONTRACTS

£22m tobacco plant at Corby

BAT (UK and Export) is to establish a tobacco processing plant at Corby. BOVIS CONSTRUCTION has been awarded the £10m management contract for the construction of the plant—the overall development costing about £22m. The plant will be built on a 9.5 hectare green field site some 3.5 km south-west of Corby town centre. Work is scheduled for completion by September 1983. The complex will comprise five buildings: a 4,600 sq metre processing plant; a 6,500 sq metre leaf store: a 3,250 sq metre finished goods store; a 1,000 sq metre office and 1,500 sq metre boiler house and associated ancillary buildings. The buildings will be of single-storey construction with the exception of the processing plant which will stand three-storeys high.

New market at Royal Exchange

The Royal Exchange building in the City is being refurbished and will house the London International Financial Futures Exchange (LIFFE), due to open in mid-September. TROLLOPE AND COLLS (CITY) has been awarded a £3m contract by LIFFE with architects The Whinney Mackay-Lewis Partnership, to build a separate steel-framed structure to enclose the new market inside this national monument, with a mezzanine floor to accommodate offices, conference room, electronic and computer equipment and members' coffee and lounge areas.

A feature of the design is that the new structure must not touch the walls of the existing fabric of the Royal Exchange. To achieve this, a unique steelwork frame has been designed with box-frame collars round each of the original stone columns bringing the new additional loads to bear on the column foundations beneath the existing floor. This supports both the new roof and the mezzanine. The new "inner" structure will be fully air-conditioned and provide 17,000 sq ft to accommodate up to 600 traders and their staff.

MILLER CONSTRUCTION, Wakefield, has won a £10.2m contract at Stocken Young Offenders Establishment at Stretton, Leicestershire for The Property Services Agency. The contract period is 30 months.

★

COSTAIN CONSTRUCTION has started work on a £9.2m contract with Townsend Thoresen Properties to build a 108,000 sq ft office block in Wilton Road, Victoria, SW1. This involves construction of a nine-storey building, a basement car park and an enclosed seven-storey glazed landscape atrium. The building is fully air-conditioned and all building services are monitored by a computer control system. Special features are the aluminium cladding and internal finishes, and the scenic glass lift installation within the atrium.

★

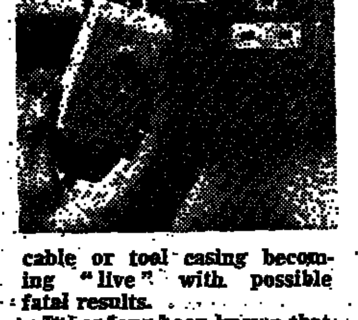
McALPINE SERVICES AND PIPELINES, Hooton, has been awarded a contract worth £7.4m by the Anglian Water Authority, Lincoln sewage division, to fabricate and lay an outfall into the River Humber estuary which will discharge partially treated effluent from the authority's new pumping station and headworks at Pyewipe, Grimsby, South Humberside. The contract is the third of a five-stage project to update the unsatisfactory sewerage facilities of the area.

★

A £16.6m contract to manufacture and install concrete foundation piles for water reservoirs in Iraq has been won as a joint venture between RAYMOND INTERNATIONAL (UK) and the state contracting company for piles and foundations, an Iraqi Government company. The award was from the state contracting company for water and sewer projects, another Iraqi Government company. The piles will be supports for three water reservoirs. The project, which begins this month is expected to be finished next year.

What's new in building

ELECTROCUTION and fire can be a real risk on building sites with the increasing numbers of electrical equipment now in use. However careful users may be there is always the chance of a damaged



cable or tool casing becoming "live" with possible fatal results.

It has long been known that one of the best safeguards against electrocution is an earth leakage circuit breaker (ELCB). This device will detect a short circuit current in the milliamp range, and will then break the circuit in milliseconds. On building sites and on industrial premises they can be fitted at the distribution panel, but such devices are expensive and require expert installation.

About three years ago B and R Electrical Products introduced a 13 amp socket incorporating an ELCB—now the company has gone a step further and developed a 13 amp plug with built-in ELCB protection. Described as "low cost," the plug is to be introduced in the autumn. It can be fitted and used by anyone who can change a 13 amp plug.

The ELCB plug, called the Mainsafe Power-Breaker, detects leakage currents in the 15-30 milliamp range and breaks the circuit in less than 30 milliseconds—fast enough to save life.

The plug also incorporates a standard cartridge fuse (which, of course, does not protect against electrocution), a test button (to check ELCB operation), a re-set button on the inner face of the plug, a neon light to indicate if the plug has been wired correctly, and an indicator showing the breaker has been set.

Applications range from site and workshop use to domestic appliances such as electric lawn mowers, hedge trimmers, washing machines, and toasters—a particular risk when fishing out a recalcitrant piece of toast with a metallic object such as a table knife.

The manufacturer also hopes that institutions such as hospitals and schools will fit the plugs, and that appliance makers will attach the plug as original equipment.

Details from B and R Electrical Products, Harlow, on 0279 34561.

TONY FRANCE

★

A fire-resistant insulation board called Kay-Perl Fesco is being produced by the thermal insulation division of Kay-Metzeler. The board is for insulation of roofs in fire-sensitive situations and has been given insurance company approval. Kay-Perl is based on perlite, a volcanic material which is expanded and blended with binders to form a rigid insulation board. It is claimed to have a low thermal conductivity, be highly moisture resistant and maintain its insulating properties in all weathers. The board is supplied in lengths of 1200mm and 600mm wide in various thicknesses. The 20mm-thick board, for example, costs £1.57 per sq metre for quantities of 2,500 sq metres plus. More from the company on 03744 5478.

Maker of spirit levels for over 150 years, Rabone Chesterman has launched Multiview whose large single unobstructed vial is said to have set new standards of visibility and overcome criticisms that conventional spirit levels have vials with bubbles which are difficult to read.

Because the vial forms an integral part of the moulded acrylic body it is impossible for it to become out of true unless damage occurs to the body. The vial enables the

user to check the accuracy of four different workpiece angles — 180°, 90°, 45° and 30°.

Designed to be used off its top and bottom faces, the instrument has an "extra"—a groove incorporated in both faces for checking cylindrical objects, particularly pipe work. More on 021-554 5431.

★

Tripower has introduced a compact low cost portable floodlighting tripod designed to take a comprehensive range of small floodlights and provide an immediate temporary lighting source to meet any outdoor need. The tripod meets the 110V requirements of industrial applications and construction sites and extends to a maximum height of 2.3 metres (7ft 6in). Dependent on the lighting source, the unit will cost from £50 upwards. More from Tripower on 0767 50011.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

A delicate business in the boardroom

The second of three articles on Pilkington's relations with its new German subsidiary, Flachglas

"WHEN YOU acquire a company, you're buying not just its assets and products, but also the people who've built it up." Denis Cail, Pilkington's vice-chairman, and the man directly in charge of overseeing the integration of its new West German subsidiary, characterises the careful way in which his company has gone about bringing the policies and procedures of Flachglas into line with its own.

In contrast with many a successful corporate predator, Pilkington has not injected whole teams of its people into the new subsidiary. Instead, the harmonisation process is being conducted through a series of frequent meetings, formal and informal, on both sides of the Channel.

They are usually held at one of the two companies' many locations, though sometimes a neutral venue such as Amsterdam has been chosen instead.

Both sides insist this is purely because services between their two local airports are few and far between; neither seems to believe that "getting to know you" need involve much extra-curricula activity, other than the odd dinner together.

One of those most deeply involved is Glen Nightingale, technical director of Pilkington's flat glass division. "There was a temptation to go bundling into the other side," he says, "but we're prepared to be patient. People will only talk to you at a certain rate."

ANATOMY OF A TAKEOVER

PILKINGTON GROUP FLACHGLAS

The integration of Flachglas into the Pilkington way of operating is being carried out through a dual-level committee structure, most of it purely advisory. This theoretically toothless arrangement was made necessary by the impossibility, both practical and legal, of transferring Flachglas into Pilkington's divisional structure.

For one thing, the German company is organised along unitary, functional lines, so that it would have had to be split into several parts. But as Cail says, "you don't go upsetting a successful organisation—when you don't know how to handle it."

Overriding these practical considerations was the fact that Pilkington controls only 62 per cent of the Flachglas shares, so that a complete organisational integration would have been illegal under West German law; the more legal-minded of the Flachglas managers are decidedly sensitive about loose use of the word "merger" to describe the deal.

Complicating the matter still further is the two-tier structure of West German boards, which gives Pilkington several seats on the upper tier (the supervisory board), but none on the lower (the management board). Yet it is at the lower level that most of the key business decisions are taken. This "management board" is appointed by the supervisory board, comprising not only Pilkington's five representatives but 13 other members, including the union and staff directors, representatives of the minority shareholders, and the independent banker chairman.

Pilkington's inability to exert direct control over the management board has been a source of continuing frustration to its top management since the takeover occurred.

Though perfectly well aware of the principles of the two-tier system, executives admit that they did not fully appreciate its practical significance for the control of policy. "The English still have to learn that it's the management board that runs the company, not the supervisory board," says a senior Flachglas manager.

Antony Pilkington, his company's chairman, would not put it quite the same way, but admits that "it has taken us a little time to understand how the system works." Not only does the supervisory board meet only quarterly, while the management board gathers monthly to take decisions, but—as in most West German companies, particularly since the advent of worker directors—the Flachglas supervisory board "does not deal with contentious *issues," to quote a Flachglas* manager. Nor do its members always receive the board papers very far in advance of the meeting, a point which has more than once exercised Pilkington's concern.

Crucial

Moreover, while capital expenditure budgets are referred upward to it for approval, a whole range of issues—including operating budgets—are not.

In these circumstances, Pilkington's relationship with the new chairman of the Flachglas management board—whom only one director of the English company knew until he was shortlisted by the supervisory board chairman just over a year ago—will prove crucial. So will personal relations at all levels of the two companies.

Unless Pilkington decides to buy out the minority shareholders when its fortunes improve — a step which Antony Pilkington does not exclude—the dual level committee structure may also have to be made more permanent than was originally intended, in order to provide a formal mechanism for detailed control.

The structure's upper echelon, a sub-committee of the main Pilkington board, is known as the Pilkington European Council (or Peuroc). On it sit five representatives from Pilkington and three from Flachglas, with Denis Cail as chairman. The Council meets quarterly, just before supervisory board meetings, in order to co-ordinate the two companies' objectives and strategy. Its terms of reference specifically exclude dealings with day-to-day matters.

Much of the Council's work so far has been to review the progress made by its five sub-committees, which is where the real legwork that is bringing the two companies together has been done. Each sub-committee contains three or four top executives from each side, with a Pilkington man as chairman ("but that will change with time," says Cail). They meet regularly—most of them quarterly, but two bi-monthly—usually on alternating sides of the Channel. The meetings are supplemented by a steady to-ing and fro-ing of managers to discuss particular issues when they arise.

The main points of progress, and bones of contention, will be examined on Friday.

For the 20 months since the acquisition, all these deliberations have eaten up long and valuable hours of top executive time. Has this distracted key people from their responsibilities for other parts of the business, as so often happens in the wake of an important takeover, to the detriment of the organisation as a whole?

Antony Pilkington does not detect any problems of this sort, though he admits "it would have been a more daunting task if Flachglas had needed a rescue operation." In the event, this description is more aptly applied to the time-consuming and painful surgery Pilkington has had to carry out on its domestic operations since mid-1980.

Down at the coalface, group chief accountant Peter Grunwell modestly sees the takeover as just another item on his daily menu: "Issues come and go," he argues, citing the way that his department no longer has to deal with such matters as price and exchange controls.

Antony Pilkington: "takes a little time to understand how the German two-tier board system works"

While Grunwell will continue to devote a lot of his time to Flachglas, Antony Pilkington sees membership of the sub-committees and the responsibility for emergency visits being increasingly transferred to what he calls "second level people"—executives who are one level down from the board.

"Now that most of the ground rules have been laid down, we're at the end of the first chapter," he says. The outcome of chapter two will depend on whether Pilkington succeeds in building on the foundations it has so carefully laid, and in resolving the many contentious issues that it and Flachglas still have to face. Alternatively, its relations with the German company could degenerate into the "guerrilla warfare" which still plagues many mergers and acquisitions years after the event.

"So far, so good" must be the interim verdict on Pilkington's "softly softly" strategy of digesting its much-prized German takeover.

Christopher Lorenz

The first article on Pilkington-Flachglas was published last Friday. The third will appear on Friday.

A multinational approach to graduates

RICHARD COATES admitted to feeling the odd man out. Among perhaps 200 delegates at a recent conference he represented probably the only company there currently undertaking any large-scale recruitment.

While most of the faces before him reflected the gloom of having to wrestle with redundancy programmes, his mirrored the picture of a man who had never heard of the word recession.

For at least four decades his company has been doubling the number of its employees every four or five years. When a rare dearth of orders threatened a major product line in the 1960s, all employees worked a nine-day fortnight for three months — with consequent reduction in pay—until demand picked up again.

Coates's company is in high technology—an area, he noted with obvious relish, where the outlook is comparable with that of the motor industry in 1925.

Hewlett Packard, based in Palo Alto, California, makes computers and measurement devices for a multitude of applications. Worldwide, it employs 57,000 people; taking into account growth and turnover, the company is often in the position of having to recruit about 25 per cent of its current manpower in any one year.

Coates, who is personnel manager for HP's northern European region, expects to recruit about 325 people this year. Because of the nature of the skills required, many of these will come from universities.

Normally, graduate recruitment would be concentrated almost exclusively on local universities but HP is now resurrecting the practice popular among European companies in the 1960s of casting its net across the North Atlantic.

The company's policy is to recruit an increasing number of foreign nationals studying at U.S. universities and return them to their country of origin.

Coates is careful not to pass judgment on the quality of graduates coming out of European universities but says that HP is looking for a particular type of individual.

"We are looking to have the best quality people—they are usually ones who go to the U.S., especially for second degrees. They also need to have an international outlook, speak English because the company's mother tongue is English and have a spirit of initiative.

"Our belief is that U.S. graduates will have many of these qualities." In 1981 HP recruited about 10 such graduates in the U.S. and returned them to their home countries. In 1982 Coates intends to increase this number to around 50.

He says that the company has identified about eight U.S. universities where there would be a significant number of "qualifying people."

Among them, surprisingly, are two centres of higher education which are virtually unknown in Europe: The Thunderbird School of International Management in Phoenix, Arizona and the Georgia Technical University in Atlanta. The others include more obvious sources: Harvard, the Massachusetts Institute of Technology, University of Pennsylvania, University of Chicago, Stamford and University College of Los Angeles.

At Harvard, for example, HP is one of only two manufacturing companies—the other being Procter and Gamble—that has set up a recruitment programme for their European subsidiaries.

HP also does its graduate recruitment by joining in the annual spring-term "milk run" whereby selection committees travel around the major campuses giving presentations and holding interviews with interested students.

In the UK, for example, the company visits about 25 universities.

Through this method it plans to hire about 1,500 people in 1982 for its U.S. companies and about 300 for the European businesses. Apart from the U.S.-graduates-for-Europe programme, recruitment is usually undertaken by local management through local universities.

The main requirement is for management graduates, research scientists, salesmen and systems engineers.

In spite of the large pool of graduates available for jobs, Coates says that such recruitment has its difficulties, not least because of competition from other employers.

In the first place there is a major shortage of electronic engineers and computer specialists worldwide.

Also in Europe, and to a lesser extent in the U.S., the concept of "going into sales" is not immediately attractive to a graduating engineer, says Coates.

"The attitude developed in universities places more emphasis on creation rather than applications and, as a consequence, it is far easier to find graduates who wish to become R and D engineers than who want to become salesmen. In some countries, and Britain is one of them, the same attitudes are developed as between the professions and industry."

Another problem, says Coates, is that most graduates leave their first employer after a number of years simply out of a spirit of adventure. "It is difficult to settle down at the age of 22 or 23 to the prospect of 40 years with one company."

He believes that it is virtually impossible for graduates to quantify the advantages of working for one employer because of their inexperience. "Consequently the quest for being among the leaders in working conditions, pay and benefits is to some extent wasted on new recruits—they only know how lucky they are when they move on."

In spite of these drawbacks Coates believes that graduate recruitment is still the best solution to the group's hiring needs.

"There is an availability of people at graduation which does not exist on the open market. Also, although in some cases training may take longer, there is the advantage that it is not necessary to correct old habits or styles—a new graduate is often easier to mould to the company's methods of doing business than someone who has learnt some other products and business methods."

Arnold Kransdorff

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THE ARTS

Assembly Hall, Tunbridge Wells

Agrippina

A genuinely Italian opera, written for the Venice carnival of 1709-10, before his London career began, Handel's *Agrippina* had a belated British premiere from Kent Opera last Thursday. To be exact, this was the first professional performance here: the opera was given by Alan and Frances Kitching at Abingdon in 1963. The long neglect, in these days of Handel revivals, is surprising, but so are many things about *Agrippina*. The age of Monteverdi's *Poppea* and of Cavalli was not far in the past. Something of Venetian luxury, of the juxtaposition of tragedy, comedy, violence, sensuality and satire carried over into Cardinal Vincenzo Grimani's libretto, where we meet acquaintances from *L'incoronazione*—Poppea, Nero, Otho. But we also meet Agrippina, Nero's mother (filled with imperial ambition and "more than maternal feelings" for him) and her present husband, Emperor Claudius, fresh from conquering Britain.

Handel's music for *Agrippina* is swift, audacious, breathtakingly varied, some of the airs as short as Rameau but more dramatically pointed. The opera demands a production style of high comedy with serious undertones. Norman Platt and Christopher Bruce have jointly devised a sort of stylised black farce toppling over into burlesque. When the cast is played in the style may jar less. On Thursday one had the impression that the producers had stumbled on the right solution for the zanier Offenbachs (seriously, why don't they try it with say *Ba-ta-clan* and *Les Bavards*, which would suit this company well?) and applied it to the wrong kind of opera.

The principal sufferer was Claudius. The excellent bass David Thomas, looking like photographs of Second Empire comics playing Offenbach's Jupiter, had to skip from undignified absurdity to a serious, slow and wonderfully sensuous love-song. He carried it off — just, and his admirably placed singing remained intact, but more was lost than gained. As Nero the mezzo Cynthia Buchan delivered her rapid showpiece with address but played the adolescent monster-to-be like a gangling schoolgirl with bulging eyes and straddling legs. The young but doddering freedmen, Pallas and Narcissus (Glyn Davenport and Christopher Robson), were funny once but not two, three or four times. Alone of the burlesquers Andrew Shore as Lesbo showed how the style could work, with exact timing and without gross exaggeration.

Others were able to find different solutions. Felicity Palmer, surely the most versatile of our major sopranos (and perhaps for that reason insufficiently valued), sang the Empress. She used Anne Ridler's natural-sounding English translation to give barbed and meaningful inflection both to her recitatives and to Agrippina's extraordinary succession of arias. As well as anyone in this vocally accomplished cast, Miss Palmer knows how to sing Handel lightly and fleetly, but the sense of power in reserve was an additional excitement. Poppea, shown here as a fair little bitch if nothing to what Monteverdi painted at a later stage of her career, was given exactly the right amount of edge by Meryl Drower. Half outside the intriguing stands the moping, lovelorn, ill-rewarded Otho. Paul Esswood, a very experienced singer of Baroque music, sometimes on Thursday allowed his exceptional delicacy to approach inaudibility.

Ivan Fischer conducted. Springy rhythm, textures crisp and flickering like light reflected from Venetian water, yet as usual in Handel some of the most ravishing effects are achieved with strings alone. Roger Butlin's skeletal set with lighting by Nick Chelton progresses from initial dourness to final purple-and-gold. The first act's near monochrome needs relief — it contradicts music and action. I liked the end, though it might have surprised author and composer. Claudius, against his own inclinations, has given Poppea to Otho and appeased Agrippina by allowing Nero to share the imperial crown. During a final dance, everyone leaves the stage except for Agrippina and Nero, seated on thrones, eyeing one another with distinctly mixed feelings.

*

On Friday *Eugene Onegin* in Jonathan Miller's thoughtfully under-stated production came up fairly well. Some of the bloom has gone, but the original was so precisely adjusted that one is relieved to find so much left. Once again the score told admirably well in this pitiless hall (Tunbridge Wells's ersatz-opera house has good acoustics if little else) but now and again Roger Norrington's accompaniment sounded a trifle mechanical. Chaikovsky's orchestral commentary flowed less supply among the vocal lines than memory insists it did before. Bernard Culshaw's simple sets remain effective, but the St Petersburg ball is too similar in colour to the Larinas' country hop—a touch more pomp is needed.

The Lensky of Brian Burrows was remarkable, not for tonal beauty, but for complete understanding of music, text and character. Stuart Harling's Onegin had moments of nonchalant distinction which told sharply and others with weakly supported notes and a feeling of mooching about which isn't quite right. Tatiana was Teresa Cahill. The whipped cream in the voice is fading, but in compensation Miss Cahill used her lower register effectively and produced strong tone in the final scene. The girl's perplexities were suggested too much by physical rigidity. The brogue, quite in place in the country scenes, should surely be dropped in the capital.

RONALD CRICHTON

Wigmore Hall

Stuttgart Piano Trio

The favourable opinions won by the young German ensemble on previous London appearances were hard to echo after Saturday's recital. Energy was in abundant supply—this team lacks nothing in 10-fingered tonal address, nor the ability to sustain even the most rumbustious dance sections of the Dvorak *Dumka* Trio, op 90, without endangering intonation or ensemble. But what was missing, in various degrees of seriousness, in all three works on the programme — Dvorak, Haydn's G minor Trio, HXV 19, to open the concert, Schubert's E flat Trio to close it—was evidence of finer feeling for shades of phrasing, for expressive nuance or inner-voice colouration.

This was plain-speaking playing with a vengeance, chopping Haydn's movements into squares, turning Dvorak's folk-inspired dances into an unvaried stamp and thump. It seems that the group style is set by the pianist, Monika Leonhard, a player of forthright power untempered by elegance and consistently, indeed monotonously, loud. But her colleagues showed themselves far from unwilling to follow her lead, above all in a Schubert performance that exchanged the just-bearable heartiness of the earlier readings for an effect of crass insensitivity from which I fled.

MAX LOPPERT

Frances Carty, Guy Detot and Quinny Sacks in 'Berlin Requiem'

Sadler's Wells

Berlin Requiem

by CLEMENT CRISP

The Ballet Rambert's spring season opened on Thursday with a *Night Music* by Richard Alston new to London, and the *first performance of Christopher Bruce's Berlin Requiem.*

This last seems a continuation of *Bruce's concern with la condition humaine* which we can trace back to such eloquent pieces as *for those who die as cattle* and *Ancient Voices of Children.* His theme here is the decline and fall of a capitalist society, rotting under its own greed and lusts, and doomed to blackest night. His location the Berlin of the late '20s which inspired the Brecht-Weill *Mahagonny* and *Das Berliner Requiem.* The short *Mahagonny singspiel* is the text for the first half of the work, an unsurprising portrait of the fleshpots that we know from the paintings of Georg Grosz and Otto Dix (and not a few ballets), with all the *statutory activities of* whores, garters, elaborate maquillage, predictable groping among loins, and picking of pockets.

Pamela Marre's designs are a fine evocation of the visual clichés of the period; the dances strut and posture; the music has a good, vicious edge to it—though I thought both the Alabama-song and the Benares-song were over-sentimentalised by the vocalists.

The real bite of Bruce's work begins to emerge with the hysteria and the compulsive, "driven" quality of the dances during the "God in Mahagonny" section, when the white figure of God questions the city's human derelicts, and is rejected. The flashing neon of Miss Marre's brilliant set dies; the structure of a serpentine bar (on which the revellers have had their final drink) is manipulated away; the lights go out for the last time. And as the *Berliner Requiem* starts (in an admirable vocal and instrumental performance) Bruce's choreography gets to grips with human suffering amid the gloom of a civilisation fallen into darkness.

It is all too tempting, and easy, to have dancers agonising over the stage in the belief that a "statement" has been made. It is the distinction of Bruce's *dances here—especially in the* funeral dance for the drowned Rosa Luxembourg, and in a tearing sequence for the Unknown Soldier and his comrades—that sincerity is not the excuse for feeble invention: I found the quartet for the soldiers extraordinary in its muscular force as in its images of suffering and exhausted resignation *which are the lot of men* in war.

Whether the two halves of *Berlin Requiem* band together, or whether their brutal contrast of mood is alone enough to connect them, I will hope to understand after further viewings. Certainly, the Rambert artists give of their best in both *section, and are fine.*

The opening *Night Music* by Richard Alston is very other. I *greatly admire Alston's work*, but these dances set to Mozart *notturni* for voices and basset horns are as bland and unexciting as semolina pudding. The choreographic manner is "classical:" the relationships between the dancers are "civilised;" people smile an awful lot; the girls are in deadly dull frocks; *the design*, by Howard Hodkin, looks haphazard and charmless, in a ballet where charm is being remorselessly projected.

Worst of all, the dancers seem heavy, un-stretched, uncertain in dynamics, and relentlessly sprightly. I mistrust ballets in which amiability is the chief virtue.

Barbican Hall

English Chamber Orchestra

by ANDREW CLEMENTS

Scheduled to share the London Symphony's residency of the Barbican Hall for part of each year, the English Chamber Orchestra gave its first public concert there on Friday evening. The event was enthusiastically received, yet much of the orchestral playing did not suggest that the ECO had yet learnt to enjoy playing in the Barbican's warmth; given a chance to rehearse and perform in the hall no doubt *they will develop again the* finesse and accuracy which has recently been lacking in their concerts.

For a significant debut, it was a strangely constructed concert. Murray Perahia directed and played the solo parts in Bach's F minor concerto and Bethoven's first piano concerto, but the longest and least substantial work of the evening was Mozart's D major Divertimento K.334, which was directed by the leader of the orchestra, Jose-Luis Garcia. The six movements of the divertimento play for over 40 minutes, and for all the work's reflected elegance and imagination, it needed a more suave performance to justify such a position in a concert. The raggedness which the ECO string displayed in the opening movements was gradually minimised, but Mr Garcia's control of the proceedings confined itself to general exhortations and there was no sense of interpretation, though he did purl off the numerous violin solos with commendable fluency.

From a position in the first tier of seating there were few problems of orchestral balance, though in the Bach concerto the piano tone, soft and luminous to Mr Perahia's touch, was sometimes masked. The subtle dappling of the solo part did much to convince one that Bach concertos on the piano are not quite the heresy *instinct maintains them to be*, but the medium still has its problems. The lack of incisiveness in the Bach was made all the more obvious when Mr Perahia followed it with an urgent account of the Beethoven concerto, driving the opening tutti and underlining its horn punctuations, while making the cadenza the solo highlight of the first movement. His range of touch, and his concern to ensure the maximum contrast between his piano playing and the orchestral contribution gave the performance continual and absorbing interest; thus inspired, the ECO too found its best form.

Architecture

Engineers and builders

by COLIN AMERY

At the moment in London *there are two important*, small scale exhibitions. At the Architectural Association in Bedford Square a show called *The Engineers* deals with the art of structures — the skeletons behind the buildings as well as the pure structures, like the Eiffel Tower. At the Royal Institute of British Architects' Heinz Gallery in Portman Square theer is an exhibition rather ponderously entitled *A School of Rational Builders* which is all about the vital work of the Society for the Protection *of Ancient Buildings*, the first national society in the world to devote itself to the "right repair" of the built heritage.

Both exhibitions are about fundamentals. Indeed they have rather solemn didactic purposes. This does not make them dull though neither belongs to the new school of architectural exhibition which is itself a thing of beauty and delight.

The subject matter for *The Engineers* benefits from the *collection of drawings made by Ben* Weinreb and the expertise of Frank Newby, who is a senior partner in F. J. Samuely and Partners — a pioneering engineering firm responsible for many of the most important *modern buildings* in the country. Its purpose is to explain precisely what a structure is and how and why it comes to be built.

The subject matter for SPAB's exhibition comes from the archives of the Society—a source consisting of over 13,000 files on individual buildings that have been the concern of the Society, founded by William Morris in 1877, for over a century.

It was in the early days known as the "anti-scrape" movement because of its oppo*sition to the Victorian habit of* scraping down and reconstructing ancient buildings. Morris rightly felt that the vicious habit of over cleaning buildings destroyed the actual evidence of history. I wonder what he would think of our modern passion for cleaning them within an inch of their lives.

It is instructive to look at the buildings of Portland stone that have not been cleaned to discover that they were carefully designed to weather and colour in a particular way. St Paul's had a completely different quality when it was black and white rather than the all over dusty grey it is today. The fundamentals that this little SPAB show expound with ample evidence and clarity are all about *not* doing too much to buildings.

The engineers in the AA show are all concerned with a search for truth. Structures are all subject to tension, compression, bending and torsion — and rather like people we tend to judge them on how well they cope with the stresses and strains of their life. Galileo's testing of a *weighted beam in* a wall is one of the earliest drawings in the exhibition. Engineering is defined as "the art of directing great sources of power in nature for the use and convenience of man." Sources of innovation in engineering structure are as diffuse as the needs of war and the problems posed by the offshore drilling rig.

The first five-arch masonry bridge over the Seine at Neuilly was designed by *Jean-Rodolphe* Perronet (1708-1794). He was sufficiently confident of his abilities to drop the last stone into the bridge in the presence of the King.

Fine engravings demonstrate the career of this early bridge builder—visually as precise as the engineering they depict. Thomas Telford, working a little later than Perronet, mastered cast iron, rather than masonry, as a structural material. *His amazing design* for the new London Bridge with a single 600 feet span looks just that little bit dubious and one can sympathise with the select committee's cautious refusal of permission to build it.

The railways brought out a new school of engineers, Stephenson in Britain and James Eads in the USA. Perhaps the most spectacular achievements in the use of latticed cast and wrought iron were made by Gustave Eiffel. Over 40 draughtmen and cal*culators (human ones) worked* on the designs for the great Paris tower for two years. His further achievements, like the skeleton structure of the Statue of Liberty are invisible —his researches in aero-dynamics led to many later advances in aircraft design.

The Chicago steel frame and the earliest reinforced concrete bridges by Robert Maillart have the energy of experiment but also the power of art because they both produced things of great beauty. The later work of the engineer Felix Samuely embraced both steel and concrete.

He acted on the principle that pre-stressing is a state of mind —the Skylon at the Festival of Britain demonstrated this. It looked as though it shouldn't stand up but it managed it successfully! *Altogether there are* ten great engineers in this show and it is highly recommended.

It is difficult to convey the principles of the Society for the Protection of Ancient Buildings in an exhibition with*out having the actual buildings* present. This small display draws heavily on old photographs of the "before and after" kind, letters and sketch-books.

The great triumphs of the *Society are often modest ones*, church towers saved, cottages rebuilt with infinite care, the limewash of churches carefully retained. What does emerge is that the repair of old buildings is a matter of philosophy. There is nothing strident about the SPAB although the need for them today is desperate. So many churches wrecked by the ignorant application of the wrong sort of paint, so much poor re-carving, horrendous *over-cleaning and the grim* advance of science over taste, particularly in the redecoration of great houses.

This exhibition is tasteful and quiet—but the need for the SPAB is strong and urgent. It *maintains its teaching activities* and needs members.

The Engineers is at the Architectural Association, 34-36 Bedford Square, London, WC1 until March 26. Weekdays 10 am-7 pm, Saturdays 10 am-3 pm; closed Sundays.

A School of Rational Builders at the Heinz Gallery, 21 Port*man Square, London, W1* until May 1. Weekdays 11 am-5 pm, Saturdays 10 am-1 pm.

Victoria Palace

The Little Foxes

by B. A. YOUNG

Lillian Hellman's *The Little Foxes* was a good choice for Elizabeth Taylor's debut on the stage. It is an eventful, rather *melodramatic piece of about the* same brow-rating as *Dallas*. As Regina Giddens, the ambitious *Southern lady who will stop* at nothing to become rich enough to enter high society in Chicago, Miss Taylor has opportunities to show her talent for charm, for cunning, for anger, for power without overstepping the limits of emotion further than her author has intended. But she is flanked by other characters who are also given such changes. Oscar Hubbard and Ben Hubbard, her brothers, are slightly larger than life in their capacities as small-town swindlers; her nephew Leo is a high-grade little waster. Horace her husband is *always effectively* on the edge of death (until he is over it). Miss Taylor herself is bound to seem larger than life to the packed audiences waiting to see her, advance bookings having already passed the million-pound mark; and in *The Little Foxes* she need not overtop her colleagues. Indeed I'm prepared *to say that the company is on* the whole a well-matched team.

The story deals with the attempt of Oscar and Ben to swindle poor ailing Horace out of his Union Pacific bonds so that they can invest them in a scheme to build a cotton-mill on their cotton-plantation and make a fortune. There are as many unexpected reversals of fortune as Agatha Christie could have dreamed up for them, each one revealing a fresh facet of Regina's evil *nature. Miss Taylor plays her* part with a kind of Southern whine, the vowels she wants to emphasise prolonged with a little upward or downward slow. All the dialogue, incidentally, is amplified; I heard per*fectly from Row J of the stalls*, but people at the back reported some difficulty.

Miss Taylor plays as *many* scenes as she can in profile, and very fine she looks in her sweeping 1901-fashion dresses by Florenz Klotz. She is admirably restrained when Horace (J. D. Cannon), whom she has repeatedly wished dead, has a heart-attack in front of her and gives her a chance not to pass him his medicine. Surely, though, when he scrambles upstairs to get it he ought to collapse on the handsome staircase in Howard Bay's set, rather than go on up? If he doesn't daughter Alexandra's line, "*What was a man from a* wheelchair doing on the staircase?" loses point: who *knew* he was on the staircase?

Nicolas Coster and Robert Lansing as Oscar and Ben shout endlessly at each other or their children or their wives; you don't wonder that young Leo is anxious to get away from them to the ladies of Mobile, stealing if necessary to help. William Youmans as Leo is wonderfully shifty; it's almost as if his make-up has been able to move his *eyes closer together to give him* the right look. Ann Talman keeps Alexandra very placid, even when she is firing her last charge of hatred at her mother Regina, who has lately fired a far stronger charge at her over *the banisters of the staircase*, one of Miss Taylor's better moments.

*There are two good little per*formances by the black players Novella Nelson and Hugh L. Hurd, and the evening's only suggestion of gentlemanly behaviour comes from Humbert Allen Astredo as the Chicago *businessman who is going to* build the mill. He regards the Hubbards and the Giddenses as Southern aristocrats and treats them so, but as they are honest enough to tell him, the only Southern aristocrat there is Oscar's wife Birdie (Sada Thompson), and she has no real function except to confess to private drinking.

The direction by Austin Pendleton contains some well-thought-out detail, but he is too prone to having characters lurking in doorways to create melodramatic effects.

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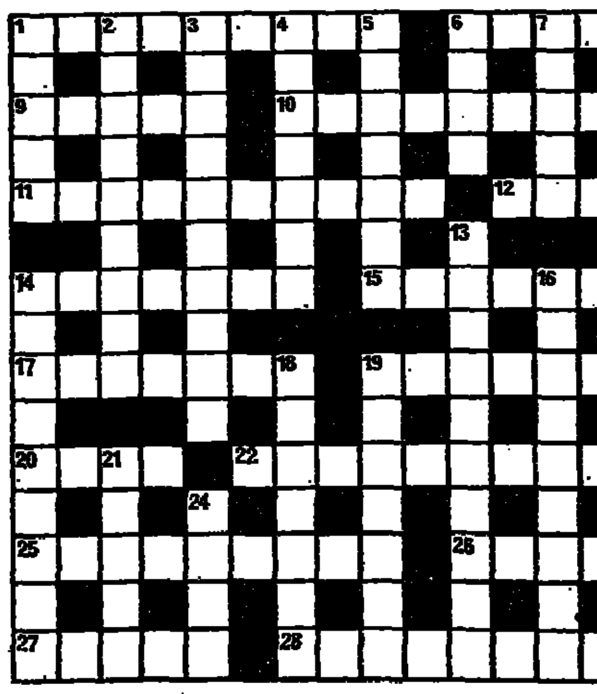

ACROSS
1 Finds solution: nothing inside starter (5, 4)
6 Look at road junction in this aspect (5)
9 Cricketer journalist restrained (5)
10 Abandons ice-cream for cake (4, 5)
11 Bird leads man of the match to vestry (6, 4)
12 Whip round (4)
14 Nothing you start is wicked (7)
15 Digital cover for those who hate to be needled (7)
17 Cunning southern student attracts boat-race crew (7)
19 Qualify for leave (4, 3)
20 First hypothetical person married in fear (4)
22 Recover before others stop (4, 2, 4)
25 Good starting a pub to eat material (9)
26 Stagger into a state of confusion (5)
27 Like grain to be hackneyed (5)
28 Prepare vegetable to help sales anew (5, 4)

DOWN
1 Pole winning toss in Scotland (5)
2 Last words to the unkindest cutter (2, 2, 5)
3 Part of Yorkshire proud to be on the crest of a wave (6, 4)
4 Regular person in attendance (7)
5 IRA taking tea with municipal head (7)
6 Won't run quickly (4)
7 Old woman once shattered outside right (5)
8 Buy drinks for soldiers going to West-end for attention (9)
13 Trees to come down to start with (5, 2, 3)
14 Mad losing cat, lost in memories (9)
16 Further on the rocks? Time for commission (9)
18 Things to discuss about right hot places (7)
19 Go first before having to give up (7)
21 Fiery remnant seen at end of last month (5)
23 Lock stage performer without opening account (5)
24 Detectives brought up in cart (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

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Telephone: 01-248 8000

Monday March 15 1982

The cost of coal's subsidy

ONE OF the present Government's central tenets is to treat the nationalised industries, insofar as possible, like companies in the private sector, facing the healthy discipline of making money. A glaring exception to this rule has been its policy towards the National Coal Board, which will need £460m of grants to break even in the financial year just ending and looks like swallowing a further £380m in 1982/83.

Matters were not always thus. Two years ago the Government introduced a Coal Bill which envisaged the NCB breaking even without grants by 1983/84 and thereafter moving into profit. That plan disappeared without trace in February of last year when the NCB, hit hard by the recession, said it would have to close over 20 pits if it was to meet the Government's financial objectives. Faced with the threat of a miners' strike, the Cabinet beat a retreat. The NCB was given an additional £300m in grants to keep the pits open and to subsidise sales of the resulting output both at home and abroad.

Discreet veil

But the effects of the climb-down do not stop there. A new Coal Bill is now before Parliament which will allow the NCB to receive several hundred million pounds more in grants over the coming two years and draws a discreet veil over the question of eventual profitability.

The Government's handling of the whole affair has just been roundly criticised in a report from the Commons Select Committee on Energy. In particular, the Committee finds it difficult to avoid the conclusion that "in their relief at avoiding a damaging strike, the Government simply handed the money over (to the NCB) without troubling to ask too many awkward questions." It also argues that by exporting coal at subsidised prices, Britain is directly aiding some of its main European industrial competitors.

The Committee's case on *exports is weak. Selling* subsidised coal to the Continent does not necessarily help our competitors if they can buy just as cheaply from Australia and the U.S. The report does not examine this question in detail, but all the indications are that the NCB has been matching international coal prices, not undercutting them.

Blank cheque

Much more pertinent is the Committee's concern at the manner in which the Government has disbursed additional public funds to the Board. The Cabinet's decision to back-pedal in February was based on the political assumption that the miners were too powerful to be tackled in a head-on confrontation—unlike the steel industry, where thousands of jobs have disappeared in rationalisation over the past two years.

That political judgment may or may not have been correct. But it does not mean the NCB should be handed a blank cheque. Both the Government and the NCB insist this has not happened and argue that even with its additional grants the Board faces a tight financial discipline. The Select Committee is clearly not convinced. It calls for tighter government monitoring of the NCB's finances and serves warning on the Energy Department that it intends to look at the issue again during the coming year.

Fact of life

The watchdog role that the Committee is assuming is valuable, even if some of the judgments in its report are questionable. The miners' political muscle is a fact of life and may from time to time prevent the Government from pursuing an optimum economic course. But the long run interests of the economy can only be served by the creation of a profitable coal industry which does not require export subsidies or barriers to import competition. That in turn requires persistent financial pressure on the NCB to shut its heaviest loss-making pits as soon as is practicably possible.

Break for thought at Madrid

THE ADJOURNMENT of the Madrid Conference on Security and Co-operation in Europe reflects the state of detente in Europe and of the relationship between Nato and the Warsaw Pact. It is not exactly a breakdown, but rather a recognition that the 35 participating states have been conducting a dialogue of the deaf since martial law was declared in Poland last year.

Lord Carrington, the British Foreign Secretary, has said that events in Poland have dashed the hopes of all those who regarded the Final Act of Helsinki as the symbol of peaceful change towards greater openness, tolerance and humanity in Europe. The Final Act was signed in 1975, when detente was at its height, and is the basis upon which the Madrid conference was convened in November 1980.

It began with muted hopes that the conference might lead to negotiations for disarmament in Europe and to an improved climate for trade and other relations. But in its most recent phase Madrid degenerated into sterile polemics. The West fruitlessly asked for an end to martial law in Poland; the East rejected that as interference in Polish affairs.

Lip service

The Helsinki Final Act at bottom amounts to a mutual understanding to respect existing political boundaries, human rights, and the need to improve trade and other co-operation. For the Russians the first point always was the most important: they gave at least lip service to human rights to attain a recognition of the dividing line between eastern and western Europe, especially in Germany.

That really reflects the feelings of insecurity *vis-à-vis* the West which the Kremlin feels or pretends to feel to this day. In 1975 no Westerner in his senses wanted to change the political map of Europe by force, and despite bellicose noises from Washington that remains the case today. Seen in this context, the adjournment at Madrid has changed nothing.

Much the same can be said about the hopes for disarmament. That issue at present is very much one between Washington and Moscow at the talks on theatre force nuclear weapons and the prospective talks about the bigger, strategic weapons. The Europeans have every interest to ensure that Washington takes these talks seriously: they have none in allowing Moscow to exploit existing rifts on this issue in the West.

Trade relations, too, are in an intermediate phase, where it is of paramount importance to co-ordinate Western policy. Most of the Europeans, with the Germans in the van, believe that Comecon trade, quite apart from its benefits for their exporting industries, provides a useful means to preserve what is left of detente. That view is not shared in Washington, providing Moscow with another means to exploit differences within the Western alliance.

Overdue

Besides, there is not a great deal of point in arguing in Madrid about how to expand trade at a time when Western sanctions, however limited, and indebtedness of Comecon countries work in the opposite direction. The air would be cleared, at least by a little, if a return to more normal conditions in Poland were to facilitate the overdue rescheduling of Polish debt.

The main argument for the Helsinki process has been that it would put pressure on Communist regimes to grant more human rights. The argument remains valid, but in the present phase there is little to show for it. The Russians have arrested many members of the Helsinki monitoring groups in their country. They have reduced to its lowest level for more than a decade the number of exit permits granted to Soviet Jews.

Reflection

All of this adds up to a case for putting the conference into cold storage in the hope that matters will have improved when it reconvenes in November. That is a case which the neutral and non-aligned group at Madrid has accepted, albeit reluctantly.

As M Claude Cheysson, the French Foreign Minister, has put it, the adjournment at Madrid will provide a pause for reflection. If the East is serious about wishing to continue the Helsinki process it should use that pause to restore a measure of normality in Poland. As for the West, it should seek to return to Madrid having agreed on a consistent line on nuclear armaments and on the use of sanctions as an instrument in the enduring East-West conflict.

NIPPON ELECTRIC

Enter a Japanese multinational

By Guy de Jonquieres

AT Nippon Electric's main microchip plant in Kumamoto, southern Japan, absenteeism is rarely a problem. The company has seen to this by erecting a large dormitory on site. The women workers who live there have to walk only a few yards to clock in for one of the two nine-hour shifts a day. The arrangement also makes it easier for them to spend the required six hours a month — two in their own time—debating how to improve product quality.

The plant, one of 13 owned by the company in Japan, is among the largest and most *efficient in the world. Yet* management think it could do better and are spending $50m a year on automation and expansion. Within two years they expect robots to have replaced about 90 of the 120 workers on each of the lines producing raw silicon chips.

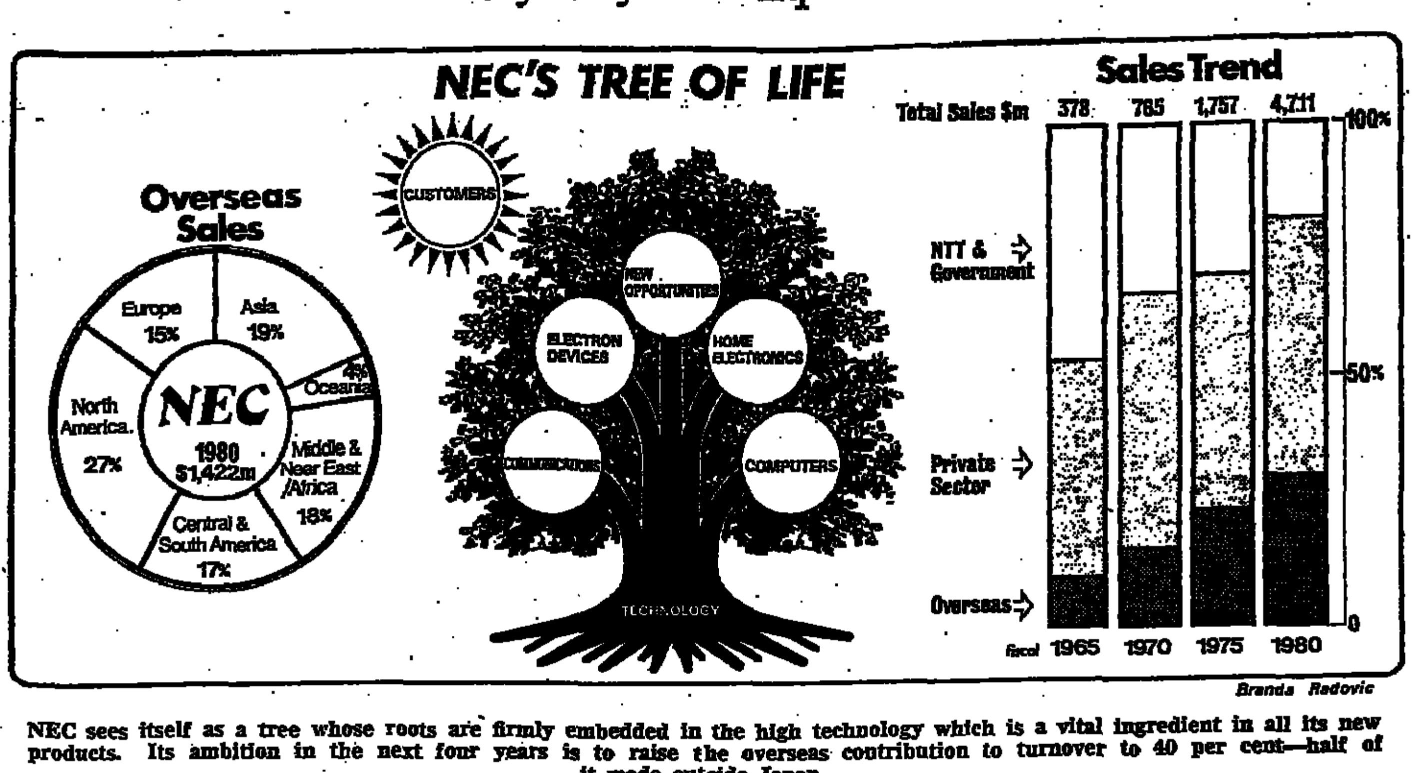
The West is starting to run out of adjectives to describe such relentless striving for higher performance. But Nippon Electric (NEC) harbours still bolder ambitions. It has set its sights on the twin goals of becoming a genuine multinational, with manufacturing operations scattered around the globe, and a world leader in the creation of the high-technology information society of tomorrow.

It possesses formidable credentials. As well as being one of the world's three top microchip suppliers, along with Texas Instruments National Semiconductor and Motorola of the U.S., it is a highly successful manufacturer of a comprehensive range of telecommunications equipment and computers. It also sells $1bn a year of home electronics equipment. Overall its electronics sales, which account for 96 per cent of its business, are the ninth largest in the world and are exceeded in Japan only by Matsushita.

NEC's sales to 138 foreign countries account for 30 per cent of its turnover, which totalled $4.7bn last year and is growing by 17 per cent annually. During the next four years, it plans to set up about 20 more offshore manufacturing and marketing operations and to raise the overseas contribution to turnover to 40 per cent, half of it produced outside Japan.

Though other Japanese companies, notably in consumer electronics, are moving in the same direction, NEC claims to be in the lead.

"We aim to establish real companies abroad which can design, make and maintain the products which they sell on their own," says Dr Tadahiro Sekimoto, *the company's president.* He is convinced that this policy of decentralisation is the most effective way to secure NEC's future in an increasingly volatile and treacherous business climate. An enthusiast of American futurologist Alvin Toffler, Dr Sekimoto likes to describe this as "the Age of Drastic Change."



NEC sees itself as a tree whose roots are firmly embedded in the high technology which is a vital ingredient in all its new products. Its ambition in the next four years is to raise the overseas contribution to turnover to 40 per cent—half of it made outside Japan.

Growing fears of a trade war with the U.S. and the EEC have heightened the sense of urgency. But NEC executives insist that multinational expansion is a deliberate long-term strategy conceived many years ago. Its first overseas manufacturing facility, a joint venture in telecommunications, was set up in Taiwan in 1958.

Other plants followed in neighbouring Asian countries, Latin America and the U.S., where NEC has three facilities making telecommunications products, semiconductors and computer equipment. Its first European plant, for assembly of microchips, was opened in Ireland in 1975. It is building a second, bigger chip factory in Livingston, Scotland, which it plans to equip with its own design facilities.

Until about 25 years ago NEC's main line of business was making telecommunications equipment for the domestic market. Set up in 1899 by American Telephone and Telegraph, it passed into the hands of International Telephone and Telegraph in the 1920s. ITT has since sold almost all its shares.

NEC first carved out a distinctive international niche because of its pioneering role in microwave radio, used to transmit long-distance communications. Soon after transistors became commercially available in the early 1950s, it launched an all-out campaign to catch up with the U.S. In 1964, its efforts were rewarded by a major contract in Australia.

Today, it claims world leadership in microwave with more than 30 per cent of "uncommitted" world markets (ie those which do not give preference to local suppliers). It has also established a dominant position in satellite communications and is the only company able to supply an *entire system,* including the satellite itself.

According to Mr Takeshi Kawahashi, head of radio communications, the major reason for this success lies in NEC's strength in semiconductors. Its mastery of the technology has also helped it to increase computer sales by more than 20 per cent a year since 1977—faster than either Fujitsu or Hitachi, its two main Japanese rivals—and to capture 40 per cent of Japan's highly-competitive personal computer market.

> 'After all, this is the Age of Drastic Change'
>
> —Tadahiro Sekimoto (right), NEC chairman

Like other Japanese manufacturers, NEC was aided by a government-supported programme to develop the technology for very large scale integrated circuits (VLSI), launched in 1976. It also benefited from a research project sponsored by Nippon Telephone and Telegraph, Japan's domestic telecommunications authority, into very powerful computers.

Both programmes have ended and NEC is now investing heavily in achieving a high degree of technological self-sufficiency. Since 1977 it has trebled its annual expenditure on research and development to $300m. Work at its six laboratories ranges from research into super-fast electronic circuits to computerised speech recognition techniques designed to make machines more "friendly."

According to Dr Michiyuki Uenohara, head of R&D activities, NEC can no longer rely on the U.S. and Europe to perform the advanced research which it will need in the future. He is extending the time horizon of the company's research and aims to achieve in-house capacity in two dozen "core" technologies, whose validity will endure for a least the next 50 years.

Mr Tomihiro Matsumura, director in charge of semi-conductors, believes that a shortage of suitable staff in Japan will soon force NEC to recruit abroad. He expects the company to establish its first offshore R&D facility in about 1988, either in the U.S. or in Europe.

As NEC has discovered, going multinational can cause headaches. Neither Electronic Arrays, a small California chip-maker which it bought in 1977, nor its telecommunications plant in Dallas, Texas, is judged to be up to Japanese quality standards yet. A good deal of management effort is being devoted to bringing them up to the mark.

Executives were appalled by the conditions which they found when they took over Electronic Arrays. Workers at NEC's Kumamoto plant must change into special protective garments and pass through a forced-air "shower" before entering the ultra-clean section where the most delicate part of the chip-making process is performed. "But in California, people were wandering in wearing street clothes," according to one NEC manager.

NEC's second driving ambition is symbolised in its slogan "C&C", standing for the convergence of computer and communications technologies which lies at the heart of the revolution in electronic information handling.

The concept is made tangible in the so-called "Decision Room" at the company's Tokyo headquarters, where top management regularly meet. An elegant wood-panelled chamber, it is equipped with an array of sophisticated systems which permit two-way video communication with distant offices and the instantaneous retrieval and display of large amounts of information.

Though the shape of the future market is still uncertain, NEC aims to supply whatever equipment is demanded—from vast and complex communications systems down to simple home terminals. That seems certain to bring it into direct competition sooner or later with U.S. companies several times its size such as IBM and AT&T.

NEC's complementary strengths in computers and communications (a valuable combination possessed by few companies outside Japan) will undoubtedly be a major asset. Its biggest challenge, in the view of industry analysts, will probably be to generate the vast amounts of intricate software, or programming to make electronic systems function.

As computerisation spreads, increasingly clever software will be needed to make machines more versatile and "friendly" towards the untrained user. Writing it requires unorthodox, intuitive abilities which Western programmers have seemed to master more readily than their Japanese counterparts.

Though NEC is throwing huge resources into solving the problem—it employs some 9,000 programmers—Mr Matsumura believes that Japan's social and educational system may be a handicap. By emphasising highly organised group activity, he thinks, it discourages the individualism which often sparks off innovation.

The company aims to fill the gap by tapping outside talent. It has already commissioned American software houses to write programmes for it, notably for its personal computers. It plans soon to set up its own software centres in the U.S. and to recruit American programmers to staff them.

To its competitors outside Japan, NEC is known and respected primarily as a supplier of microchips and telecommunications equipment. Though it recently started selling small business computers in the U.S. its bigger "mainframe" machines—which have captured 16 per cent of a thriving home market—have not yet gained the penetration in the West achieved by its rivals Fujitsu and Hitachi.

There are two reasons for this. One is that NEC is the only Japanese manufacturer making big computers that are not designed to be plugged into IBM installations as replacements for IBM machines. The second is that it insists on selling its products through its own sales network, unlike Fujitsu and Hitachi, which rely on marketing agreements with companies like National Semiconductor in the U.S. and Siemens in West Germany.

NEC admits that these policies have inhibited overseas sales so far but insists that they are the best course for the longer term. It points out that companies which seek to poach IBM's customers by offering technically compatible machines expose themselves to the threat of crippling retaliation by IBM. It also argues that direct sales are the only way to build up the intimate and lasting relationships which it seeks.

The merits of both approaches have been hotly debated in the computer industry, and the arguments are still finely balanced. But it is undoubtedly true that for a company to set up its own overseas computer sales network can be a lengthy and costly endeavour.

One possibility would be for NEC to acquire other companies with strong marketing organisations. Executives say that there are no plans for such a move, which would be a departure from the company's existing policies of developing largely through organic growth. But Dr Sekimoto does not rule it out categorically. "After all," he says, "this is the Age of Drastic Change."

Men & Matters

Keeping up to scratch

Whether the Abbey National has helped you buy your home or not, Clive Thornton, chief general manager, it seems, can help you furnish it.

The energetic Thornton's spare-time hobby of restoring old furniture—learned at evening classes together with law as a youngster—has now developed to such an extent that he supplies two shops run by his wife.

Thornton's own home is *almost entirely furnished with* pieces he has restored after picking them up for a few pounds. That is the main attraction, he says, to bring back the original beauty to something that most people would regard as junk.

But it is also a good way of "switching off" at weekends and less hazardous than collecting silver, says Thornton, enthusiastically offering tips on working methods to readers of the April issue of Antique Collector.

Most scratches, marks and stains can be removed by applying a mixture of raw linseed oil, meths and American turps with fine wire wool.

Water stains, of course, have to be treated differently. "I use cigar ash with vegetable oil—in a paste. I go to enough meetings where they are smoking cigars and at the end I go round and just empty the ashtrays into one of those paté jars," he says.

Treasury bond

After conducting what he calls the "Budget ballet" for 12 years, chief Press officer Stanley Godfrey is leaving the Treasury.

Under successive Conservative and Labour Chancellors, it has been the congenial Godfrey's main task each year—and sometimes more frequently—to organise the distribution to newspapers, radio and and television of the stacks of script and statistics that accompany the Budget measures and to see that Ministers and mandarins are at hand to answer questions.

Godfrey is quitting now at the age of 55 because, he says, he finds it difficult to contem*plate full retirement in another* five years.

He is considering a number of information posts, including one in Hong Kong. "I want another full 10 years at work and if it involves some travel, so much the better," he says.

Godfrey entered Whitehall from Fleet Street where he worked for several national newspapers. For seven years he was the Central Office of Information's diplomatic correspondent and served three years in the Diplomatic Service itself before returning to a Government information post in the Cabinet Office.

He joined the Treasury under Lord Barber and, on his instructions, played a leading part in opening its doors a little more widely to reporters as the Government's economic policies became the dominant area of public and political interest.

Vogel's view

It may not bring you much comfort, but the Germans are very impressed by the way we are coping with our stresses, tensions and conflicts.

Former Mayor of Berlin, the social democratic Hans-Jochen Vogel, is the latest visitor to London who has returned to Germany to marvel publicly at the way in which "an awarenes of history and tradition" is enabling us to withstand pressures far beyond his countrymen's experience.

It's not just the way we have learned to live with "near civil war" in Northern Ireland or the extension of IRA terrorism to other parts of the islands that astonished Vogel.

He also admired the "equanimity" with which Britain had "mastered" its transition from that of a world power to that of a "European-oriented medium-ranking power."

This nonchalance, he noted, takes the sting out of many a conflict and leads to "well-considered and moderate reactions."

"I suppose it's reassuring to find that it's possible to fool all of the people all of the time."

Political notes

Edward Heath is not the only well known European politician with impressive musical talents.

Now he is joined by Chancellor Helmut Schmidt of West Germany, who features prominently at the piano in a Mozart album which was presented to him in Bonn before its release this week. Schmidt plays third piano in the concerto for three pianos and orchestra in F major; the record, incidentally, being produced at London's Abbey Road Studio, home of the Beatles.

Schmidt, accompanied by the London Philharmonic Orchestra, among others, will be donating *his share of the royalties* to the West German section of Amnesty International.

Homing pidgin

This newspaper, I am pleased *to report, is now refreshing* readers in parts that other British newspapers rarely reach. In Papua New Guinea, the leading pidgin English newspaper, Wantok, has taken syndication rights to republish FT articles.

Regular readers here would have little difficulty with the piece on movements in the cocoa markets headlined: "Kakoa prais go daun."

It takes a little longer, though, to interpret an article on tea farming, headlined straightfordwardly enough: "Ti Fama." This tells us: "Ol ti fama bilong ol kantri save salim lip ti, ol i kibung long New Delhi long India long bigin bilong mun Februeri." My tame pidgin expert tells me it means: "All tea farmers from the country who know about leaf tea went to New Delhi in India at the beginning of February."

Animal crackers

I say, I say, I say. Heard about the taxi-driver who knocked down a hare in Epping Forest?

Well, being a compassionate chap, he radioed his office to call the RSPCA to tend the injured animal. Twenty minutes later, a van arrived, and a *man* and woman rushed over to the ailing creature, opened a first aid kit, and gave it a hefty injection.

Within seconds, it jumped to its feet and bounded off into the forest. The dumbfounded cabby asked what magic formula they had used. With a twinkle in their eyes, they replied in unison: "Hare restorer."

Observer

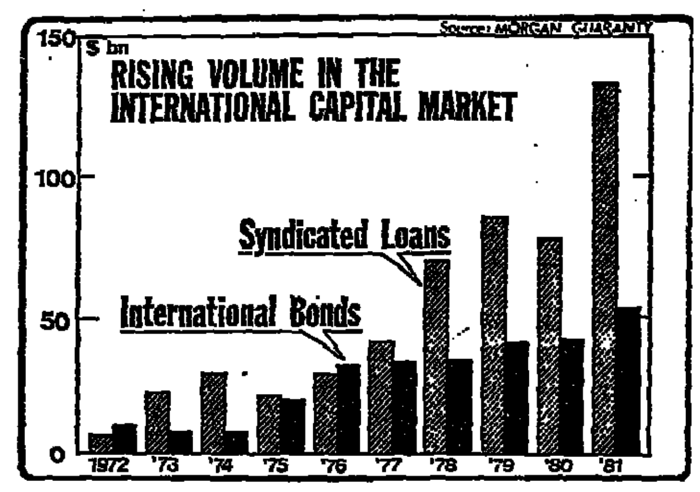
[مكتبة الأصول]

FINANCIAL TIMES SURVEY

Monday, March 15, 1982

International Capital Markets

International bond markets are learning to cope with high real interest rates, but banks in the Eurocredit market have entered a new period of intense uncertainty as their customers struggle to service a growing debt burden.



IN THIS SURVEY

● *Editorial production of this survey was by Mike Wiltshire.*

A critical look at credit ratings

BY PETER MONTAGNON
Euromarkets Correspondent

IT HAS become almost axiomatic for international bankers and investors to blame the problems of the world's capital markets on the high level of U.S. interest rates.

Last year was again a year in which both the bond and credit markets had to contend with interest levels that were strongly positive in real terms. At the start of 1981, six-month Eurodollars cost $16\frac{1}{2}$ per cent; by the end of the year they traded at $14\frac{5}{8}$ per cent, but U.S. consumer prices had risen only 8.9 per cent during the same period.

Dealers at Chase Manhattan which heads the league among managers of syndicated Euroloans, with 149 deals worth $44.2bn in 1981

An important change seems, however, to be occurring in the impact this is having on the various markets that channel international capital around the world.

The bond markets, whose very existence once seemed threatened by the rigours of Federal Reserve monetary policy, appear to be flourishing again while the Eurocredit market seems to have entered a period of intense uncertainty.

Not all of this is, of course, due to high interest rates alone. The Polish debt crisis has set bankers looking much more closely at the wisdom of piling more and more balance of payments finance into deficit countries.

"There's nothing like a good bankruptcy," mused one senior banker recently "to make us bankers sit up and think."

As their thoughts have extended beyond the rather narrow confines of Eastern Europe, the bankers have been forced into a new awareness of the impact of higher interest rates on some of their traditional sovereign customers.

Developing countries who rely on the international banking system to finance their balance of payments deficits and ultimately growth at home have suffered a painful increase in their burden of debt service.

Brazil's foreign debt, for example, at more than $61bn is now so large that every one percentage point increase in dollar interest rates costs more than $400m in annual interest charges.

Last year, net interest payments by Brazil amounted to $8.7bn compared with a target of only $6.7bn which was based on an over-optimistic assessment of the likely course of interest rates during the year.

Brazil was fortunate in that it remained able to borrow to meet this higher charge. Some other countries were less lucky and, overall, according to research by Amex Bank, non-oil developing countries suffered a serious decline in their international liquidity.

Reserves of these countries fell $15bn in the first 10 months of last year. At $86bn they covered only 3.4 months of imports compared with over four months of imports in 1980 and a peak of 4.7 months in 1978.

Worse still, debts by these countries maturing in international banks last year exceeded their deposits with these banks for the first time in five years.

"This does not mean that there is a severe liquidity criis as yet," the bank says, "since developing countries can also call upon $59bn of unused credit commitments, which in many cases can be drawn down to meet liquidity needs."

But it does mean that international banks have had to take on board an intrinsic decline in the creditworthiness of some of their major customers. This has happened at a time when margins in syndicated lending have been too low to cover all the risks incurred.

As a result, the market has become much more cautious, spreads have begun to rise and, prompted by the Polish debacle, bankers have become much more alive to the dangers of rescheduling and default.

Even some of the heavier borrowers in the industrialised world have not escaped the impact of this more criticial look at credit ratings. Banking caution has been accentuated by the decline in oil prices which has led to a sharp reduction in Opec's balance of payments surplus leading many bankers to fear a contraction of liquidity in the international banking system.

Figures for last year's volume on the Eurocredit market are thus misleading, at first sight. Morgan Guaranty Trust estimates that new Eurocredits last year amounted to $133.2bn, sharply above the 1980 total of $77.4bn.

But this total includes no less than $54.8bn raised by U.S. borrowers, the bulk of which came in the form of gigantic credits arranged in connection with the take-over mania that hit Wall Street last summer.

Subtracting the U.S. total from the overall market volume left only $78.5bn raised by other borrowers. If 1980 figures are adjusted in a similar way, the total raised by non-U.S. borrowers comes out at $70.7bn.

It can, therefore, be argued that the flood of U.S. borrowings in the syndicated credit market last year simply underlined an accentuation of the flight into quality that has characterised the Eurocredit market over the past few years.

Borrowing by non-U.S. borrowers last year showed only a small gain in real terms.

By contrast, borrowing in the international bond market jumped last year to more than $53bn, according to Morgan Guaranty, from only about $42bn in 1980. This was in marked contrast to the increase of only about $1bn between 1979 and 1980.

It is hard to see why the bond markets should have become so much more successful as a vehicle for raising money. After all, interest rates have remained high and very volatile. At this early stage of 1982 no one is prepared to predict with certainty where they are headed next.

Part of the reason for the increase in bond issuing activity last year lies in an increase to $6.9bn from $4.5bn in new floating rate notes. These have become an increasingly popular medium for a broad range of investors as a hedge against the volatility of interest rates.

Yet perhaps another reason does also, lie in the very high level of interest rates. Investors seem to have become increasingly immune to short-term shocks and there are still plenty of borrowers around who have to raise money whatever the price.

The World Bank, for example, has a borrowing programme of more than $8bn this year all of which will be raised at fixed rates of interest. Last year it jumped to top place in the league of international borrowers in the bond markets with a total of $3.85bn, according to figures compiled by the U.S. investment house Salomon Brothers.

It was followed by another development bank with a commitment to fixed rate fundraising, the European Investment Bank, with a total of $1.5bn.

Another feature of the roll-call of top borrowers by volume in the international capital markets was the prominence of Canadian borrowers for whom there is no real long-term market at home.

As time wore on, other borrowers who, at the outset, might have resisted high interest rates, came back into the market so that the flow of new international bond issues has continued to increase over the past few months.

Figures from the Organisation for Economic Co-operation and

CONTINUED ON PAGE III

Oil-exporting countries face up to double blow

Evaluating the reduction in Opec surpluses

Opec and the world economy

DAVID MARSH

BELIEVERS IN economic cycles have had their hand strengthened over the past few months. The current account surplus of the oil-exporting states (Opec), which grew to crisis proportions in 1980 after the explosion in oil prices induced by the Iranian revolution, shows every sign of disappearing just as quickly as it did after the first oil shock of 1973-74.

The rapid reduction of the oil exporters' surplus revenues is having a number of important effects on the international capital markets. The flow of lendable deposits to the banks is falling—but so are the corresponding deficits in the oil-importing world which need to be financed.

But since the improvement in the non-Opec deficit this year is expected to be concentrated almost totally on the industrialised countries, led by Japan and West Germany, some of the heavy borrowers among the non-oil developing nations may continue to experience problems in attracting funds.

These countries' difficulties may be accentuated not only by their heavy volume of debt already built up since 1973 but also by the emergence of many Opec members as competing borrowers in 1982.

Opec as a group emerged as a net borrower of funds from the international banking system in the third quarter of 1981, reverting to its position in the fourth quarter of 1978. This partly reflects the overall contraction of the Opec surplus—estimated by the Organisation for Economic Co-operation and Development (OECD) at \$35bn this year after \$60bn in 1981 and \$110bn in 1980. But it has also been caused by the diversion of large sums of Opec money to longer term investments in the bond, equity and property markets of the industrialised countries. This marks a change from the post-1973 pattern, when the bulk of surplus oil revenues was placed in short-term bank deposits.

Both these factors will affect non-Opec countries' borrowing ability, offsetting to some extent the favourable impact on these nations of the recent reduction in U.S. interest rates and the small upturn in the world economy expected this year. Of course the fall in oil prices itself tends to benefit developing country economies. But a number of non-Opec members—notably Mexico, Egypt and Argentina—are themselves now important oil producers, and will suffer to some extent to the latest price decline.

First, with all the high-population Opec members (led by Algeria, Indonesia, Nigeria and Venezuela) expected to be big borrowers this year, banks may be channelling a smaller portion of available credit to the high-risk economies in Eastern Europe and the rest of the developing world.

Second, the low-population states of the Arabian peninsula (led by Saudi Arabia and Kuwait) on which the residual surplus is now concentrated are not likely to change their policy of gearing their longer term investments almost exclusively towards the industrialised countries. Since these nations now need the funds far less, however, than in 1980 and 1981, this arrangement effectively leaves the non-oil developing countries out in the cold.

The equation should of course be balanced in 1982 by an increase in bank lending to the needy developing countries from those industrialised nations which continue to be large net recipients of Opec funds. But this form of "indirect recycling" represents a more costly and less efficient process for the borrowing countries compared with the alternative route of direct placement of oil money in the deficit areas of the world.

Arab banks have already taken a more active role in this "direct recycling" by sharply stepping up their share of the syndicated Eurocurrency credit market. An important part of this activity, however, represents "intra-Opec" recycling, under which money is channelled from the high surplus Gulf states to needy countries like Iraq (which has borrowed heavily in the wake of its disastrous war with Iran) or Algeria.

Bankers involved in international lending would breathe a sigh of relief if this type of lending could be extended further this year to deficit countries in Latin America—to say nothing of Eastern Europe.

Apart from affecting the international lending market, the Opec factor has provided an important influence in several related areas. On the currency markets heavy purchases of D-Marks by Saudi Arabia during 1980-81 have helped support the German currency at a time when the rest of the world has been selling it. The Saudis must be hoping that the fall in the Opec surplus during 1982 and the corresponding improvement of the German current account (expected to swing back into the black this year) will boost the fortunes of the D-Mark and vindicate the Kingdom's strategy of counter-cyclical currency purchases.

Ironically, however, this has not happened yet. One of the factors holding down another currency also widely tipped to appreciate this year—the Japanese yen—is also closely bound up with the run down in the Opec surplus. The Japanese stock market lately has been hit by a wave of selling sparked off partly by fears that Kuwait will be forced by weakening finances to sell off some of the yen securities it accumulated during the past two years.

Opec also followed a counter-cyclical strategy by diverting funds from bank deposits into gold during the metal's price boom of 1979-80. Iran and a number of other oil states have recently had to sell bullion at a price roughly half that at which they acquired their stocks. This form of loss-making recycling has actually been highly beneficial for the world's financial system. By tying up part of their revenues in non-yielding, depreciating gold some of the rasher Opec members have lessened the financial instability that could have resulted had they all rushed to put money in high interest bearing dollars.

In many respects the slump in the Opec surplus has been a re-run of the events after 1973. Then, just as during 1980-81, there were predictions that the surplus would be a burden on the world's capital markets for years to come. No less august an institution than the International Monetary Fund contributed to the gloom last year by predicting that the Opec surplus even for 1981 would remain at the \$100bn plus level. Now, however, the consensus has changed to a prediction that the oil states will move back into deficit by 1984 (if not earlier) unless there is a resurgence of oil demand in the West and a cut in Opec development programmes.

This would mirror very closely the post-1973 pattern, in which the oil surplus was reduced practically to zero by 1978—before the Shah's downfall and the subsequent tightening of the world oil market.

The speedy diminution of the surplus has reflected two supporting factors, both of which have pleased and surprised oil-consuming countries. First, OECD exports to Opec have risen faster than generally anticipated, climbing in real terms by 24 per cent last year. Individual countries have done even better.

A swing

An important influence behind the rapid improvement in West Germany's current account deficit last year was a 53 per cent increase in exports to Opec, helped above all by the weak D-mark and the depressed state of the German economy. The Bundesbank, Germany's central bank, has been making much in recent months of the swing in German bilateral trade with Opec back to surplus last autumn for the first time since 1978.

Second, the world recession, together with increased Western success in energy conservation, has dealt the Opec surplus a double blow by reducing the oil price and forcing production cuts. Demand for Opec oil has fallen to the lowest level since 1969. Adding to the oil states' plight, non-Opec producers in the rest of the world have taken steps to increase output (notably in the North Sea, Mexico and Alaska) to maximise budget revenues.

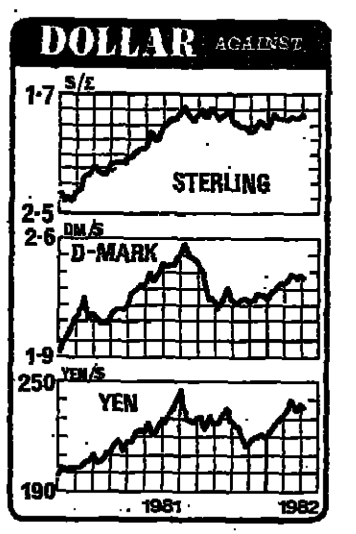
Although the general view is that Opec's current account will be close to balance next year, there are even some economists predicting a small deficit for 1983. But whatever happens, nobody should bank on the surplus disappearing for good. The lesson of the 1970s was that the world economy seems unable to grow at more than a modest pace without generating energy supply bottlenecks.

This factor, together with the more potent influence of political instability in the Middle East, will almost certainly lead to a resurgence of the surplus later in the 1980s and a renewal of the problems it brings. At least the world will be able to say it has been here before.

INTERNATIONAL CAPITAL MARKETS III

Techniques improve in the prediction of seemingly irrational swings

Why currency forecasts grow more popular



Interest rate and exchange market trends

MARTIN TAYLOR

INTERNATIONAL bond market investment, to an even greater degree than the management of an equity portfolio, is often as much a matter of judging currency exposure as of the correct reading of bond prices. For the trader a few points of capital gain can easily be wiped out by an adverse currency movement, while for the long-term investor the remittance of coupons over a falling exchange rate can make nonsense of rate of return calculations in the investor's home currency.

In the middle to late 1970s, although the timing and degree of currency movements was unpredictable, for most of the time the general trends were clear and easy enough to rationalise. Dollar-based investors were happy to buy Swiss franc bonds yielding, say, 4 per cent in the confident expectation that an appreciation of the franc would make up for the initial sacrifice of yield.

Hindsight needed

They can no longer be so sanguine. Currencies have been doing all the wrong things—things that look irrational at the time, although it is usually easy enough to rationalise market movements with hindsight. The demand for currency forecasts has grown out of all proportion to the success of the forecasters. Technical analysis based on charts seems to be becoming more fashionable as a means of attempting to predict currency swings—probably because fundamental analysis has proved so faulty over the short run, since currencies no longer seem to obey the fundamentals.

Current account balance of payments flows now seem to have the most tenuous relationship with exchange rate movements. Very large shifts of capital, acting autonomously rather than as the obverse of current account positions, regularly overwhelm the exchange markets and the attempts of some central banks to control them.

Part of the explanation for this seems to be the size of accumulated Opec surpluses, the bulk of which remain in the short money markets and are switched between currencies in search of the highest available return. If interest rates were manipulated by central banks principally as a means of currency management, this would not matter since large inflows into one financial centre would rapidly drive interest rates down.

But floating exchange rates have released monetary authorities from the obligation to adjust interest rates to capital inflows and outflows. Inflows may be allowed to push a currency up considerably, and when a currency is under attack the money market in question may be kept deliberately liquid to allow the exchange rate to drift down. High interest rates are no longer necessarily associated with weak currencies, intractable balance of payments problems and stubbornly high inflation. They are just as likely to reflect determination to control the growth of the money supply, which may well be approached almost exclusively as a domestic problem.

An overseas investor making a deposit at 15 per cent in a foreign currency does not care whether that represents a real rate of interest of plus or minus 5 per cent to a domestic investor, provided the currency does not depreciate too much before he closes his position. If the central bank of the country acts to keep money artificially tight and interest rates high in the pursuit of a domestic monetary objective, he can even expect further appreciation of the currency on the back of increased foreign inflows.

The most striking examples of this have been the behaviour of sterling in 1979-80 and of the dollar in 1981. The sharp rise in the value of the pound was associated with a strong current account performance on the back of self-sufficiency in oil as well as very tight money, but the tighteness of money seems to have been the more significant factor.

The instability of the system has become so great that once the New York money markets suspect, on the basis of evidence as flimsy as one week's money supply figures, that the Federal Reserve is prepared to countenance tighter money, the dollar will rise in anticipation of higher interest rates. The worse the money supply performance and the larger the overshoot in the budget deficit, the more pronounced this perverse strength in the currency is likely to be.

Success limited

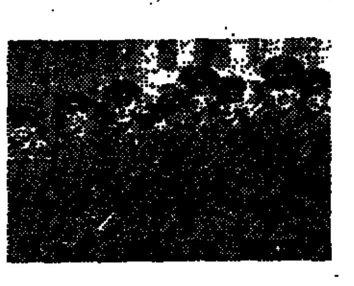
The European Monetary System (EMS) has provided EEC countries with a partial means of standing aloof from this problem, to the extent that fluctuations in the dollar have been allowed to have only limited repercussions on the relationships between the major European currencies. But attempts to arrange an orderly float of a cohesive EMS against the dollar are likely to have only limited success in practice. Smaller EMS members are required to adjust their monetary policies with reference to what is happening in Frankfurt and leave the overall adjustment against New York to West Germany's central bank, the Bundesbank.

European complaints about the alleged irresponsibility of U.S. monetary and fiscal policy and the international strains it imposes are unending, but they have lacked a little conviction lately. The strength of the dollar in 1982 has been more pronounced against commodities—from oil to base metals—than against other currencies. In these circumstances weakness against the dollar is by no means an unmitigated disaster. Recent Bundesbank warnings against the perceived attractions for some European countries of competitive devaluation become more pointed with every dollar off the oil price.

By early March this year it had become possible to hope that the immediate future would be less harrowing for exchange markets than the recent past. Under the pressure of a rapidly weakening economy U.S. interest rates were once again clearly heading downwards—but their volatility over the last couple of years suggests there is no guarantee the trend will be long-lasting. The Opec surpluses are shrinking as the oil price falls, and footloose cash swilling around the money markets becomes less of a problem, particularly if a rising bond market sucks money out of deposits into longer-dated investments. An apparently more flexible attitude to monetary policy over the short run in the U.S. makes the weekly money supply figures somewhat less destabilising to the foreign exchange and fixed interest markets.

One major risk, particularly in Europe, is that the desperate keenness of administrations to get interest rates down after the last two or three years of austerity will lead to an over-indulgent attitude by the central banks. If they overdo the relaxation, early 1982 may come to be regarded with hindsight as the time when another major wave of inflation was rekindled by monetary means. Bond investors riding bull markets in this first quarter must be more aware of this danger than anybody.

Freeze spreads to rest of Comecon



Eastern Europe after the Polish rescheduling

PETER MONTAGNON

OF ALL the regions of the world, it is Eastern Europe that has seen the most radical change in its credit rating over the past 12 months.

It was almost exactly a year ago—on March 26, 1981 — that Poland told her Western creditors that she was no longer able to service her debts. The news came as little surprise, for the country's foreign trade bank, Bank Handlowy, had already started negotiations with both Western governments and commercial banks for a major rescheduling of debts falling due last year.

But even then it was hard to see the extent of the crisis that was creeping up on the region's finances. The rescheduling negotiations between Poland and Western banks in particular were very considerably more prolonged than the Polish side and indeed many observers expected. Several times default came close and only at the brink did debtor and creditors alike pull back.

For the governments, the 1981 rescheduling was a relatively easy affair. An agreement was concluded in April whereby repayment of about $2.5bn owed to 15 major Western countries was rescheduled for up to eight years.

The agreement was supposed to give a lead to smaller countries such as Brazil, which had also lent money to Poland in the form of export finance. It was also supposed to stimulate the conclusion of a quick arrangement between Poland and commercial bank creditors who were owed more than $3bn over the year as a whole.

But led by the hawkish U.S. banks, the banks took a harder line. They were worried that a blanket rescheduling on easy terms left Poland without the incentive to repay the debts at a later stage. What they wanted was evidence of an economic programme that would really pull the country round so that eventually it could once again accumulate enough foreign exchange to pay off its debts.

This turned out to be easier said than done. As 1981 wore on Poland's economic and political situation deteriorated steadily. Finally, on December 14, the military authorities took over. And many banks, already alarmed by the extent of Poland's indebtedness began to worry that default could become inevitable.

It was only after a concerted effort was made by Poland to catch up on interest arrears of some $350m that the way seemed to have been paved for an eventual signing of a rescheduling agreement.

By then, however, lenders had learned two new important lessons about Eastern Europe as a whole.

The first was that politics were inseparable from lending and as the politics became more dangerous so did the lending. This was already true after the Soviet invasion of Afghanistan, but recently the military takeover in Poland has prompted U.S. Defense Secretary Caspar Weinberger to declare openly that debts to Poland should be formally called into default as a means of political retaliation.

The second was that the much vaunted "umbrella theory" was an illusion. Under the umbrella theory banks believed that the Soviet Union would cushion them from the impact of insolvency in any of its satellite countries.

Moscow could not afford, they argued, to see the credit rating of Comecon plunge just because one of its members was in trouble. In the event, Moscow's willingness to help out Poland was grudging at best; aid was always sparing and at some of the most critical times non-existent.

Worse still it has become increasingly apparent that the Soviet Union simply lacks the means to bail out its allies when times get hard. In the first six months of last year its deposits with Western banks plunged by $5bn, and although they have now increased again severe grain shortages have forced the Soviet Union into distress selling of gold and other primary commodities.

Even the most reckless of lenders might be tempted to exercise caution in circumstances such as these. In fact, the mood of caution among banks has now become so pronounced that there has been scarcely any medium term lending to the Soviet bloc for several months.

Among the few exceptions have been a $100m credit to the Moscow-based International Investment Bank (IIB) and a £75m acceptance facility for Hungary's chemicals trading concern.

Moscow has, meanwhile, found it extremely difficult to raise additional finance for its pipeline project designed to link the gas fields of Siberia with consumers in Western Europe.

For other countries in the East bloc, the cut-off seems to have been more or less total. Already in September it was clear that this was a source of serious economic problems in Romania.

Romania had in any case been relying too heavily on short-term borrowing, which is much easier for lenders to cancel at the first signs of trouble than medium-term finance. Now it is beginning the painful process of negotiating a restructuring agreement of its debt with commercial banks.

This path may be less arduous for Romania than it was for Poland. For one thing the political circumstances are different; for another the debt problems are generally believed to be less deep-rooted and for a third Romania, unlike Poland, is a member of the International Monetary Fund.

But financial pressure is growing in all countries of the Eastern bloc as they find themselves unable to borrow freely from the West.

"Even Hungary could not raise a medium-term loan in today's market," says one banker specialising in Eastern Europe and at least one major Swiss bank has dropped all dealings with the Hungarian Central Bank at one time a courted and popular customer.

As a result, the economic outlook for the countries of Eastern Europe is grim, and it will remain so unless the funds start flowing more freely again.

If they do not, the problems of bad debts could also start multiplying. Two prominent Central Bankers, Mr Gordon Richardson of the Bank of England, and Mr Henry Wallich, a Federal Reserve Board governor, have already warned banks not to lump all Eastern European countries in the same boat.

But now that their fingers have been burned in Poland the banks seem determined to do so. There is no sign at the moment of any willingness to resume lending even to protect the $59bn in loans already outstanding to these countries.

Moreover, negotiations between banks and Poland over a rescheduling of some $2.5bn in debts falling due this year look like being even more difficult than last year's talks. This time round no lead is coming from Western governments which have refused even to discuss their own rescheduling arrangement with Poland because of the military takeover.

Credit ratings

CONTINUED FROM PAGE ONE

Development show that new international bond issues totalled some $7.5bn in February compared with only $5.2bn in January. By contrast new borrowing in the eurocredit market declined to $4.5bn from $8.6bn.

As far as investors are concerned, the signs are that they are becoming more and more willing to take a longer term view. There are still many who are prepared to keep their assets in short term instruments, but this fashion has become much less pronounced than it was even six months ago.

Perhaps this new attitude among investors is epitomised by their response to the flood of zero coupon eurobonds launched on to the market in the first weeks of this year, many of which bore an effective yield below those of conventional bonds from the same borrowers already trading in the secondary markets.

Zero coupon bonds offer no interest, but are priced at a very deep discount, showing dramatically how fast money grows at current high rates of interest.

The first such issue, a $250m 10-year bond for General Motors Acceptance Corporation, was launched in January by Salomon Brothers at a price of 25½. Investors were, in the words of one banker, "mesmerised" by the opportunity to quadruple their money in 10 years.

Whatever happens to interest rates in the short-term this does not involve much of a gamble if one assumes that over the medium term both inflation and interest rates will decline.

Such assumptions may always prove misplaced in the course of time, but for the moment the decline in world oil prices does for once offer the hope of a lasting deceleration of world price increases. This, in turn, should help nudge interest rates lower, even if there is still no guarantee of a sustained downward movement.

The sector has shown resilience in coping with volatile interest rates

Living with the unexpected

The Eurodollar bond market

ALAN FRIEDMAN

THE EURODOLLAR bond market is alive and kicking. With the first quarter of 1982 nearly over, this market has proved its ability to function despite the overhanging problems of volatile interest rates and an uncertain U.S. economy.

By the first week of March the primary sector had seen $2.9bn of new fixed-interest paper, $2.4bn of floating rate note offers and $620m of new convertible bonds. The vogue for zero coupon bonds was such that within the first two months of this year a nominal total of $7.2bn was issued, raising an actual amount of $1.87bn.

But the volume of new issues is not a foolproof indicator of the market's success. Last year saw the total international bond volume grow from $41.9bn to $53.5bn (Morgan Guaranty figures). Eurobond volume rose to $31.5bn from $23.97bn in 1980. None the less, few bond traders would cite last year as the most successful period they can remember; two months provided a strong rally but the earlier volume growth was not accompanied by a healthy market all the time.

A better measure of the Eurodollar sector's health in 1982 has been its relatively smooth integration of primary and secondary market operations. When, during one week last month, the dollar sector churned out $1.2bn of fixed-interest paper, the market absorbed it with ease and moved into moderate trading in the offerings.

One of the reasons why the recent flood of new issues has been readily digested has been the comparatively high quality of much of the paper. Major U.S. corporate names such as AT and T and Burroughs have come to the market along with other quality borrowers such as World Bank and Citicorp.

The appearance of AT and T, America's telecommunications giant, has provided a psychological fillip to Eurodollar market participants. The group's $400m issue over seven years is the first ever for AT and T in the Euromarkets. The coupon first indicated, 14¼ per cent, was at least 100 basis points below any other Triple A-rated borrower in the market at the time of launch. AT and T is also paying around 35 basis points less than it would have done had it borrowed on the New York bond market.

With fifteen co-managers in this Credit Suisse/First Boston-led deal, nearly everyone in the Eurodollar market has been getting into the act. The borrower formed its Dutch finance vehicle last May, planning carefully for its assault on Europe's capital markets.

AT and T's debut in Europe was not just a testimony to the growth and sophistication of the Eurodollar sector; it was symptomatic of the trend which has been bringing many U.S. names to Europe for cheaper money.

The Eurodollar bond market has historically been less volatile than the New York bond market in its trading operations. The Eurodollar market has always been more cautious, cushioned in its actions by the time difference between Europe and New York.

Thus when the long U.S. Treasury bonds fall by two points on a particularly bad day, Eurodollar prices may decline by less than a point. The market's mentality is different from that of the U.S., where a harsh word from the chairman of the Federal Reserve can send investors running for cover.

This is not to say the Eurodollar sector has totally detached itself from the all-important U.S. economy. Rather there is a tendency in Europe towards moderation in the secondary market.

In terms of absolute growth the Eurodollar bond market continues to develop. According to Euroclear, the bond clearing system operated by Morgan Guaranty, the value of securities in the system grew from $40.7bn to $58bn in the year to November 1981.

Of the $58bn of paper in the Euroclear system, 84 per cent was denominated in Eurodollars. Around 40 per cent of the $58bn was made up of floating rate notes, demonstrating the dramatic growth of this instrument as institutional investors look for a hedge against volatile interest rates.

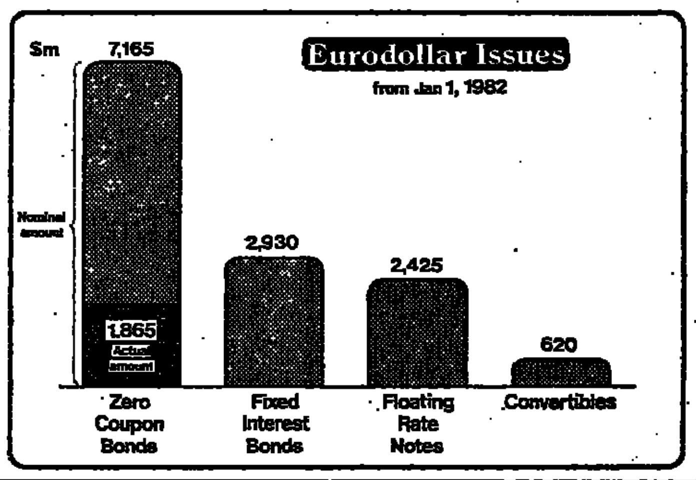
Although not a complete picture—Euroclear is only one of two clearing systems and not all paper goes through either or both—these figures help to show the predominant position of the dollar sector in Europe's bond markets.

What is the outlook for the Eurodollar bond market during the rest of this year? New issue managers, bond traders, investors and borrowers have all learned in recent years to expect the unexpected. Last autumn Dr Henry Kaufman, Salomon Brothers' economic guru, made a series of predictions in which the Euromarket's rally was at first described as "two thirds over" and then "75 per cent over."

It is hard to play this kind of percentage game in the Eurodollar market. While certain general predictions can be made — the market will prosper if the U.S. economic recovery proves slower than anticipated —there is no scientific formula for tracking this market. When new issue "windows" open on the back of encouraging financial data, a number of borrowers can descend on the Eurodollar market.

The historic pattern has been for the market to become swamped by the flood of new issues and to seize up temporarily while the paper is absorbed or rejected. So far this year the market has functioned much more smoothly.

If it is to continue this self-discipline and healthy atmosphere the borrowers will have to be good quality and interest rates will have to show some sign of sustained downward movement. Neither factor can be guaranteed.



TOP LEAD MANAGERS IN THE EUROBOND MARKET 1981

		$m
1	CSFB	3,657.7
2	Morgan Stanley	1,730.8
3	Deutsche Bank	1,393.0
4	S. G. Warburg	1,288.1
5	Merrill Lynch	1,154.0
6	Salomon Bros.	1,021.6
7	Nomura	982.1
8	CCF	805.0
9	Orion Royal	636.0
10	Morgan Guaranty	616.7

Table includes all public issues of Eurobonds (excluding foreign bonds in domestic markets in Europe, U.S and Japan). Full amount credited to lead manager, or divided equally between joint and lead managers.

Canada in the spotlight

The smaller sectors flourish

PETER MONTAGNON

IT is perhaps inevitable that the U.S. dollar should account for the lion's share of all new issuing activity in the international bond market.

Last year its share increased to 60 per cent, according to statistics compiled by the U.S. investment house, Salomon Brothers, whereas in 1980 the dollar had accounted for some 41.9 per cent of all new issues.

But the U.S. currency could not claim first place in terms of total return. That position was taken by the Canadian dollar.

Fixed interest bonds in Canadian dollars offered a return of 11.7 per cent, the highest return in any fixed interest markets when measured in U.S. currency. Moreover, the volume of such paper increased substantially.

Last year new Euro-Canadian dollar bonds amounted to a total equivalent to some U.S.$641m compared with only $280m in 1980. The bulk of the issuing activity came in the final quarter as investors became more and more anxious to profit from the high coupons available in such paper.

Canadian dollar issues consistently offer higher coupons than U.S. dollar bonds—with rates as high as 18 per cent being paid by Hudsons Bay, Province of Quebec and GMAC Canada, last Autumn.

Borrowers in the Canadian dollar sector last year were all Canadian, and they were prepared to pay such high coupons because the Eurobond market still offered a relatively cheap way of raising money in Canadian currency. Indeed, there is virtually no domestic market for long-term Canadian dollar paper.

Some bankers will go so far as to say that Canadian dollars were the emerging currency of the Eurobond market during 1981. In January, however, the market rebelled against a saturation of such paper and one issue, a C$50m issue for Canadian Pacific Enterprises, was withdrawn because of market conditions.

While last year saw the rise of the Canadian dollar sector, another minority cult went into sharp decline. Euro-French franc issues made up only 1.1 per cent of the total new issues in the international bond markets after a 2.5 per cent share in 1980.

French franc bonds were issued to a total value of $528m compared with $978m in 1980 when this sector was being actively promoted by the previous government of President Valery Giscard d'Estaing.

Most of the new issuing activity in the French franc market took place in the first quarter of 1981 when bonds for a total value of $440m were issued. After the Presidential elections of the early summer issuing activity stopped altogether because of the rise in French interest rates and the more uncertain economic outlook.

Continued strong activity was by contrast recorded in the market for sterling issues, though here the limelight was taken by foreign issues in the domestic market rather than Eurobonds proper.

Altogether, sterling issues took a 3 per cent share of new issue volume compared with 2.9 per cent in 1980.

In 1980 Eurobonds in sterling accounted for $957m of all new issues and sterling issues in the domestic, or so-called bulldog market only $176m, but in 1981 bulldog issues accounted for $1.16bn and Euro-issues only $281m.

This high volume could give the impression that there is now a regular flow of bulldog bonds on to the market but, in fact, the flow is very erratic with $611m or more than half the new bulldog issues being issued in the second quarter at a time when sterling interest rates declined.

Nor has the development of the secondary market been quite as smooth as perhaps the authorities would have hoped. The performance of bulldog bonds in the aftermarket has generally been disappointing compared with gilts.

As a result, institutional buyers have been somewhat reluctant to invest in them and some bankers even talk of arm-twisting being necessary to place the paper.

In the last quarter of 1981 only $112m equivalent was floated in the bulldog market, but in early 1982 a successful domestic issue for Barclays Bank, followed by a Eurosterling bond for Reed International, seemed to suggest that the way could be open for a resumption of more active issuing of bulldog bonds, especially for corporate borrowers who have figured less prominently in this market so far than sovereign and supranational borrowers.

New issue activity was also fairly strong last year in the guilder sector which saw a total of $460m-worth of foreign issues (compared with $287m in 1980) and $411m in Eurobonds (compared with $611m).

But if these totals were little changed on the previous year, a fairly pronounced increase in activity came in some other sectors such as the Kuwaiti Dinar bond market which was reopened last summer after being closed since 1979 (with the exception of one issue for the City of Oslo in 1980).

The re-opening of the market was due to a vastly improved domestic liquidity which restored a positive cost of carry to the KD bond market.

It also reflected the desire of the new finance minister Mr Abdul-Latif al Hamad to develop Kuwait as an international financial centre. At the moment about three new issues with a maximum amount of KD 7m are allowed every two months, which bankers in Kuwait hope will broaden the secondary market.

But secondary market volume last year was only around KD 106m, which is small compared with the face value of all outstanding bonds in excess of KD 500m and as long as Kuwait interest rates are held well below those on U.S. currency it seems unlikely that there will be much genuine demand from retail investors.

Another growing market which still suffers from a lack of interest in secondary dealings is that for bonds denominated in composite currency baskets, such as European Currency Units (ECUs) and Special Drawing Rights (SDRs).

Issues in composite currencies took a total of $727m last year, compared with $85m in 1980. The market in ECUs was further boosted recently through an ECU 500m issue for Italy managed by the Kredietbank group of Brussels.

Supply dries up as investor confidence ebbs

The New York bond market

DAVID LASCELLES

THE GREATEST irony surrounding President Reagan's efforts to reinvigorate the U.S. economy is that this most pro-business of Presidents should have failed so dismally to inspire confidence on Wall Street — the nerve centre of the country's financial and commercial life.

Nowhere is this failure more conspicuous than in the credit markets, where interest rates and bond yields have been at record levels for much of the past 12 months and where the outlook — despite a modest rally in the last few weeks — remains dark.

Such is the depth of scepticism that declining inflation and economic recession — normally bullish for the credit markets — have failed to trigger more than a smattering of retail investor interest.

The focus of the markets' fear is of course the budget imbalance. Mr Reagan's policy of cutting taxes and raising defence spending have opened up huge deficits in the budget *until at least 1985* and made investors acutely worried about the large level of government borrowing. Last year the Treasury borrowed $97bn, a record. *This year the figure will* rise to about $115-120bn. The Administration hopes to bring it down next year but few people are convinced this will happen unless radical measures are adopted to put things right.

The impact of the deficit is psychological as much as technical. Convincing arguments can be made that the Reagan personal income tax cuts will stimulate a new wave of saving *to supply these huge borrowing* needs.

Plenty of people also believe that deficits in themselves are not inflationary and no cause for alarm so long as the Federal Reserve Board conducts a responsible monetary policy and refrains from printing new money to help out the Treasury. Yet arguments like these seem to carry little weight.

The market is hooked on the idea that deficits are bad—a view reinforced by the much-publicised predictions of pessimists like Dr Henry Kaufman, the influential Salomon Brothers economist, that interest rates will almost certainly go up again, possibly to record levels.

Ironically, the presumption behind such forecasts is that the Fed will stick to its guns and force the Treasury to pay the full price for its deficit. But even if the Fed did back off a bit, the relief would be at best temporary. A facet of the prevailing wisdom is that painful though the Fed's tight money policy may be it is preferable to a loose one which would only rekindle the fires of inflation further down the road.

Looking ahead, it is also hard to escape the feeling that Wall Street is running into an impasse. Should the recent decline in interest rates go far enough to stimulate an economic recovery, a revival in private sector credit demand would follow quite quickly and add to the strains already being imposed by the Treasury.

If interest rates remain high, on the other hand, they could provoke an unpleasant and potentially damaging political storm. Whether it would take the form of a public split between the White House and the Fed, or popular and Congressional appeals to Mr Reagan to modify his economic policies, is a matter for conjecture. But there appears to be an almost masochistic mood in the credit markets that a full-blown crisis will be needed to clear the air.

People hope this can be avoided, of course. But how else can one explain the deep-seated reluctance of investors to commit money to long-term bonds?

Hardship

For potential borrowers, meanwhile, this reluctance is causing severe financial hardship. Apart from a hectic fortnight last November, there has not been a bond market rally strong enough to sustain a healthy bout of borrowing since the middle of 1980. *Companies* wanting to make bond issues have had to postpone them so often that most have been dropped from the calendar altogether. *Those that have* come to the market have done so for special reasons.

Most are utilities like American Telephone and Telegraph which have large and steady capital needs that cannot be postponed and whose treasurers have managed to inure themselves to high interest rates. Others have used new-fangled instruments like original issue discount bonds, or bonds with warrants entitling the investor to buy more bonds at a pre-set price.

The real measure of the bond market's moribund state is that the number of regular industrial corporations which manage to sell long-term bonds has fallen to a virtual trickle. The volume of new weekly issues has typically been around $500m, compared to $2,000m or more during rallies.

A particular casualty of Reagonomics has been the municipal bond market, whose specially enacted tax-exempt status usually means that yields are lower than in the taxable market. Some tax-exempt yields, however, have recently been as high as taxable ones. One reason is that the Reagan income tax cuts have reduced the appeal of investments that carry tax-free yields. *Another is that* Washington's cutbacks in aid to state and local governments has vastly increased municipal borrowing needs and created severe pressures *on the supply* side of the municipal market, earning it labels like "disaster area."

Throughout the credit markets these conditions have created big shifts in investor preference towards shorter-term maturities and higher quality. The Treasury market, the highest quality of all, is still fairly liquid, though even there trading can get sticky at times. In the corporate market there is a marked deterioration in liquidity in bonds with maturities of much more than five years.

This has driven most of the action into the very short end of the market—*the money* markets. Unable to sell bonds, corporate America is living largely off bank finance, or its substitutes like commercial paper, which has created a great demand for short-term money. Fortunately, one of the great financial inventions of the post-war era — the money market mutual fund—was developed in time to meet these needs.

The funds have grown from virtually *nothing in the mid-*1970s to $186bn at the beginning of this month, nearly the equivalent in assets to Citicorp and Chase Manhattan combined. Offering competitive yields, they have provided the small saver with a way of benefiting from high interest rates without many of the attendant risks.

Aggressive participants in the credit markets have also been able to use the budding financial futures contracts to hedge their positions or indulge in highly leveraged speculation. But ultimately the market depends on healthy final demand to stay alive. This has been conspicuously lacking despite what some people—including Mr Paul Volcker, the Fed chairman—have described as potentially the most attractive investment opportunities Wall Street has seen for years. But high yields and the prospect of sizeable capital gains should interest rates come down have yet to *outweigh fears that investments* could just as easily be wiped out if interest rates soar to even higher levels in the months ahead.

Sector loses some of its gloss

The convertible bond market

ALAN FRIEDMAN

FOR MANY of the Eurobond *market's most active investors* the gloss has come off the convertible bond sector. Not only has the excitement faded, but last year a number of fingers were burnt with the collapse of the Japanese convertible bond market.

This is not to say that convertibles will disappear—on the contrary they should continue to occupy a certain niche in the bond market, but new issue managers and investors will *look long and hard before* rushing through a large volume of new convertible paper.

The reason why the Euromarket has been slightly traumatised over convertibles is that last September saw a dramatic and sudden slump in the Japanese convertible sector. The slump occurred as Japanese borrowers rushed into Europe's bond markets with too many issues during a period of decline on the Tokyo equity markets.

Convertible bonds are fixed-*rate instruments which, through*out their lives, can be exchanged by the holder for a predetermined number of shares in the issuing company. Because of this conversion into equity, convertible bonds provide investors with a useful way of taking a view on the likely path of the share price and currency while producing a steady yield.

In the Euromarket convertibles are denominated in dollars, Deutsche Marks and Swiss *francs*. The main type of borrower during much of last year came from the Japanese corporate sector. These were a few Swedish borrowers, but hardly any U.S. names.

Japanese companies like to issue convertible Eurobonds for a number of reasons: The rate of interest paid on the bonds is *significantly cheaper* than the coupon which would have to be paid on a normal fixed-interest dollar bond. The issue of convertible bonds is also a useful *way of attracting international* shareholders. Until last summer another reason for the popularity of convertibles among Japanese corporations was the *encouragement received from* the Tokyo Ministry of Finance.

All this changed, however, when the bottom fell out of the market in September. From last June to September about $1.5bn of Japanese convertibles were launched and this was fine while the Tokyo equity market was rising.

But the Tokyo market started falling late last summer and as it did the flood of new issues continued. Bond traders complained of a "lack of self-discipline" but it was to no avail. By the first week of September there was a real possibility that the Japanese would launch between $2.5bn and $3bn of new paper in the near-term.

As many as 30 issues a month were being planned and there was little indication of the flood abating.

What happened in the end was that the market realised there was no way of absorbing the flood. Heavy selling followed and a number of Japanese convertibles were cut or withdrawn from the market.

The slump was crystallised by the withdrawal of a planned $100m convertible for Toshiba Corporation. The decision to halt the Toshiba issue was heavily influenced by Credit Suisse First Boston, which was to have been a co-lead manager.

The Japanese convertible market next went into a period of hibernation. It was soon eclipsed by the November rally in the Euromarkets and little was heard until early-December when a few small convertibles reappeared.

It was also announced that the various Japanese securities houses—Daiwa, Nomura, Nikko and Yamaichi—had agreed among themselves, and with the informal guidance of the Ministry of Finance, to place certain limits on new issue activity in 1982.

The system of *self-imposed* limits is set to begin operating in the second quarter. Whether the idea of controlling convertibles will work or not remains to be seen. The market will clearly be watching to see how well the system works.

In the meantime convertibles have taken a back-seat as the Euromarket's spotlight focuses upon straights, zero coupon bonds and floating rate notes. An upturn in the world's equity markets could bring convertibles back on to centre stage, but it is probably just as well that they play a low-key role for a while.

Market absorbing much heavier new issue calendars

D-Mark foreign bond market

ALAN FRIEDMAN

"WE have certainly come into our own. The D-Mark foreign bond market has its own life now."

These are the words of one of West Germany's top bond traders, commenting on the relatively happy state of the foreign bond market. Whereas a year ago it was shattered by a steep rise in interest rates and the decline of the D-Mark, today's foreign bond sector is handling large new issue volumes of around DM 1bn a month.

The difference has been made by interest rates lower than a year ago, a significanty improved current account outlook and a stronger German currency vis-a-vis the U.S. dollar.

The D-Mark foreign bond sector's monthly volume first rose above the DM 1bn level last autumn. At first dealers *were not sure if the market* was capable of absorbing that much paper but soon the D-Mark bonds were carried along with the rest of Europe's bond markets in the pre-Christmas rally.

This year started on a less certain note with a heavy calendar and no sign of any fall in interest rates. For the first fortnight of 1982 German bond traders went about in a haze of "gloom and doom," worried that the rally was over.

But the Bundesbank's cut in the all-important special Lombard rate, from 11 to 10½ *per cent, brought a renewed* sense of optimism to the sector. In early March the special Lombard rate stood at 10 per cent and was expected *to decline further* in the next few months.

The relative strength of the D-Mark against the dollar has also drawn a number of foreign investors into this sector. There is speculation about a revaluation of the D-Mark this year, a helpful talking point for the bond market.

Another factor contributing to the health of the foreign bond sector is the present set *of estimates about the current* account for 1982. Against last year's large deficit this year could see a surplus of up to DM 5bn. Export volume appears *to be much better* than anticipated and the effect on the bond market is positive.

The foreign bond market appears to be content now to operate at arm's length from the U.S. market, reacting to U.S. economic statistics only when absolutely necessary. In this way the D-Mark sector is following the quasi-independent attitude of the Eurodollar market.

On February 8 the West German Sub-committee on Capital Markets sat down and announced a record DM 2.4bn foreign bond calendar, to run for a two rather than one month period.

This was partly a result of efforts to accommodate the many borrowing plans being set in train. But the size and length of the calendar is also a testimonial to the improving health of this sector.

The present range of coupons in the market is from 9¾ per cent for a top-notch borrower such as Australia to around 11 per cent for a higher risk Mexican borrower like Nafinsa.

There has been some clumsy pricing in the market lately, with the Bayerische Landesbank pushing an aggressively priced Swedish Export Credit offer on to an unreceptive market. The Spanish Telephones issue launched through Dresdner Bank recently was also tightly priced and sold slowly as a result.

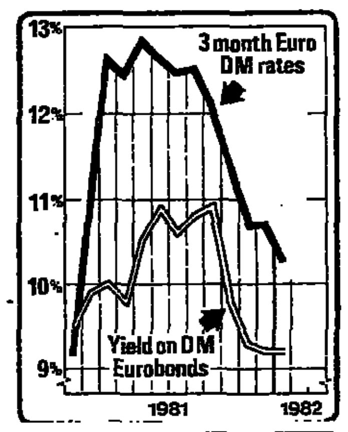
Generally, *however*, the market has seen some good deals and good borrowers. The appearance of Philip Morris a few weeks ago was rapturously received, with investors ringing managers and placing orders even before the issue was announced.

Early March saw the launch o a DM 100m 10-year offer for Gaz de France, the first public government-guaranteed *French name to hit this* market in more than two years. By all accounts the paper has moved quickly.

The higher coupon issue is such as Venezuela's 11½ per cent or Nafinsa's 11 per cent offer, tend to bring out the domestic German investorss who want to take advantage of the differential between domestic and foreign D-Mark bond rates. Foreign investors, who generally have different *motives for participating* in this sector (such as currency spreading), usually look for lower coupon, higher quality paper.

The outlook for the D-Mark foreign bond sector this year appears to be cautiously optimistic. A number of new issue managers and traders—from Dusseldorf to Frankfurt to Munich—are beginning to talk about coupons as low as 8½ per cent before the end of the year.

The D-Mark sector is not immune from the sometimes convulsive behaviour of the U.S. market. But a certain independence has been achieved and there is no reason why it should not continue for the rest of this year.



INTERNATIONAL CAPITAL MARKETS VI

Three ingredients provide right mixture for buoyancy

Cautious optimism prevails

The Swiss franc foreign bond market

ALAN FRIEDMAN

THE INGREDIENTS for a buoyant Swiss franc foreign bond market have suddenly come together in a way which would have been hard to imagine only a few weeks ago.

By early March short-term Eurofranc interest rates had declined from peaks above 9 per cent earlier this year to a range of 6½ to 7 per cent for three-month money and 7 to 7¼ per cent for six-month money. Following a decline in short-term dollar rates the Swiss franc rates dropped enough to bring Swiss bond traders the all-important "positive carry."

Positive carry is the term used to describe a difference between the cost of financing bond inventories with short-term money and the coupons of the bonds being held. The Swiss foreign bond market was beginning to see a more positive yield curve in early March, with the cheerful result that traders could finance inventories and earn money by doing so.

The second key factor which has been bolstering the market is the Swiss national inflation rate. In sharp contrast to the darker days last autumn when the consumer price index stood above 7 per cent, the most recent figure was a comforting 5.3 per cent. This is a good omen for the bond market and is providing encouragement to investors and dealers.

The third ingredient is the position of the Swiss currency against the U.S. dollar. After a weaker period in Rebruary the Swiss franc has strengthened recently, providing foreign investors with more of an incentive to take part in this market. Of all the various factors which can affect the Swiss franc foreign bond market, the currency question is among the most crucial.

As Swiss bond traders have become cautiously optimistic inrecent weeks, secondary market activity has increased dramatically. Trading volume has been high in both the domestic and foreign Swiss franc bond sectors. There has also been a heavy new issue schedule, with the appearance of traditional names such as Swedish Export Credit Corporation and also rarer borrowers of top quality—Australia and Philip Morris are examples of the latter category.

The new issue "overload" has become much less of a problem as the buoyancy of the market compensates for the large volume. There are informal new issue ceiling in the market and it is generally understood that the three leading new issue managers—Credit Suisse, Union Bank of Switzerland and Swiss Bank Corporation—will offer no more than SWFr 600m of public issues a month. This is designed to allow smaller houses to participate in the primary market as well.

Public foreign bond issues have a ceiling of SwFr 100m, but the private placement market has no such limitation. Thus, it is not surprising to see Australia in the private placement sector with a SwFr 300m issue.

Australia paid a rather low 7½ per cent coupon on its recent issue. This has been among the lowest foreign bond coupons in recent weeks; the highest was Mexico's 8½ per cent coupon on its SwFr 100m private placing.

What is the outlook for coupons during the rest of this year? If the confidence which has returned to the market continues to grow then it is entirely possible that coupons could fall to 6 per cent for top-quality names. For this kind of coupon to be paid, interest and inflation rates will also have to fall significantly.

A number of bankers in Zurich believe, however, that there is scope for a further improvement in key economic indicators over the next few months. The possibility of inflation below 5 per cent does not seem so remote now that it has come down 5.3 per cent.

Like other Eurobond markets the Swiss franc foreign bond sector is not protected from the vicissitudes of the U.S. economy. The problems of Mr Reagan's budget programme are very much on the minds of Swiss bond market participants and the U.S. deficit could well inhibit the extent to which Swiss franc interest rates decline.

One of the Swiss market's main forms of insulation is its lag behind the U.S. bond market. Major U.S. interest rate changes may take as long as a fortnight to filter through to this market.

This year will certainly be a testing one for the Swiss franc bond markets. On the one hand there is a desire to achieve a healthy volume and secondary sector; on the other there are fears about the global impact of U.S. economic policy. But for the present, at least, the ingredients for success are all there.

Tightening up operations ahead

The Japanese bond market

SABURO MATSUKAWA

THE JAPANESE bond market, one of the largest in the world, is likely to be quite tight in Japan's fiscal 1982, which starts in April. This is partly because of an anticipated decline in the net new issues of Government bonds. Liqidity in the market is meanwhile rising as a result of sluggish economic activity.

The Japanese Government, in line with its policy of spending cuts and reduction of current deficit-covering bond issues, lowered its plan for new national bond issues in fiscal 1982 to Y10,440bn ($44.4bn) on a Government revenue basis from Y12,270bn ($52.2bn) in the previous year—though if conversion of maturing issues on a basis for purpose of comparison is included the total national bond issue will be Y13,975bn ($59.5bn), slightly larger than the Y13,783bn ($58.6bn) in fiscal 1981, according to securities analysts.

The Government may have to issue more bonds later in the year to prevent the economy falling into recession, though the amount is expected to be small.

The balance outstanding of national bonds will rise to Y93,000bn ($479.3bn) at the end of fiscal 1982 (March 31, 1983).

Meanwhile, flotation of corporate bonds is expected to increase by 5.3 per cent to Y1,450bn ($6.2bn) as a result of capital spending plans by large-scale Japanese industry and an improvement in isue terms. Convertible bond issues are expected to increase to a record Y600bn ($2.5bn) from Y537bn in fiscal 1981, itself a record year.

Bank debenture issues will remain little changed at around Y13,000bn ($55.3bn) as an increase in discount bank debentures will be offset by a decline in "coupon" bank debentures.

On the international borrowing front flotation of samurai bonds—yen bonds issued by foreign borrowers on the Japanese capital market—are seen as rising by about 16 per cent to around Y700bn ($3bn) in fiscal 1982 in view of their popularity among Japanese investors. While issue terms for other bonds in Japan are strictly controlled within the rigid Japanese interest rate structure, those for samurai bonds are usually linked to actual yields on the secondary market—though this practice sometimes creates confusion.

When secondary market yields fall sharply for reasons such as a heavy depreciation of the yen (thus deterring foreign investors from buying Japanese bonds) the flotation of samurai bonds, at rates below national bond coupon rates, becomes awkward. The Japanese Government does not like foreign governments to issue bonds in Japan on better terms than its own.

In February 1982 the Finance Ministry raised the permitted volume of samurai bond issues to Y70bn ($297m), representing about five bonds monthly, from an earlier level of Y50-60bn.

At the same time the Ministry lowered the maximum size of an issue by foreign borrowers which have not obtained a U.S. bond market rating to Y10bn from Y15bn and shortened the maturity period to seven years from 10. This is partly in response to the large queue of international financial institutions and foreign governments waiting to tap the market.

The Ministry has meanwhile expanded the market to allow one foreign corporate issue a quarter, with Dow Chemical becoming only the second foreign company allowed in earlier this year. The framework for private placements has also been expanded to three issues of Y10bn every two months from one issue a month. (China issued such a bond in February, its first foreign currency bond.)

Private financial institutions this year will be relieved of part of the burden of underwriting the very substantial issues of national bonds. Underwriting by this sector (which includes various types of banks, agricultural co-operatives, credit associations, etc) will fall by 14.8 per cent to Y10,604bn in fiscal 1982. This is mainly because of a drop in national bond issues.

Their share of Government-related bond issues will decline by 18.4 per cent to Y7,914bn.

The share of financial institutions in the total underwriting of national bond issues is expected to decline to 28.1 per cent in fiscal 1982 from 33.7 per cent in the previous year. The banks' share will fall to 20.8 per cent from 25.5 per cent. Smaller institutions such as credit associations, savings and mutual banks will have 3.7 per cent compared with 4.2 per cent; agricultural co-operatives 1.9 per cent (2 per cent); insurance companies 1.8 per cent (2 per cent).

On the other hand the share of underwriting by investment trusts (mutual funds) and the public is likely to increase to 51.1 per cent from 48.7 per cent in fiscal 1981, while that of the Finance Ministry's own Trust Fund Bureau, which manages funds from postal savings, will also rise—to 20.7 per cent from 17.5 per cent.

Under the present system long-term national bonds (all 10-year maturities) and five-year discount bonds are underwritten by a syndicate of 33 banks, securities houses and insurance companies, while medium-term bonds (with maturities of two, three and four years) are issued by public auction.

The new Banking Law—to come into force from April 1 next—permits Japanese banks to sell over the counter to the public national bonds they have written, and to deal in them later, but when and how this will take place is up to the Finance Ministry, which has a three-man advisory committee to make recommendations on the matter.

In the secondary market for public and corporate bonds net selling by city banks is expected to decrease sharply because their funds position is expected to improve steadily. Part of the large net selling in the past was to raise funds for the underwriting of fresh national bonds which is virtually imposed on them, but the situation is easier because fresh issues of national bonds are decreasing.

Net investment in bonds by investment trusts is expected to continue at a fairly high level because new investment trusts based on public and private bonds are likely to be introduced. Investment by business and industrial corporations is also likely to continue active, with better credit supply and more funds available for investment in bonds.

Foreign investors, including the central banks of oil-producing countries and other developing nations, invested an estimated Y1,000bn ($4.2bn) in Japanese bonds, mainly national, in fiscal 1981. This could rise to Y1,100bn, especially if the yen recovers from its present low level.

The Saudi Arabian Monetary Agency, which has been buying Japanese national bonds through an account in the Bank of Japan, has begun to buy medium-term national bonds newly issued by the Ministry of Finance at about the market level.

Emphasis by the banks on safe and profitable business has reduced the volume of syndicated loans sharply.

Reduced ability to meet needs of big borrowers

The Eurocredit market

PETER MONTAGNON

ONE OF the most worrying things about the Eurocredit market in recent years has been the way in which margins on syndicated loans have been dropping like a stone.

As best-rated credits have been able to obtain funds on spreads of well below ½ per cent over Eurodollar rates, banks have become increasingly worried about the long-term profitability of doing such business at all.

Yet they have been trapped into maintaining a continuous flow of business by an abundant flow of liquidity fuelled principally by the surplus cash of oil producing countries.

At times there have been rather half-hearted attempts to "talk margins up"—to try to raise the profitability of such business by stressing the problems and the risks involved in international lending—but these have mostly failed under the sheer weight of competition for new business.

Now, however, many bankers genuinely feel that some relief is in sight. Not only has the market become much more cautious, but spreads have actually risen, in some cases dramatically.

Mexico, for example, which early last year was paying a margin of ⅝ point over Libor or ⅜ over U.S. prime for medium-term money is now paying ⅞ per cent over Libor or ⅝ over prime.

Argentina, which at its most popular moment was paying a split margin of ⅜-⅝ per cent over Libor, is now paying 1¼-1½ and has also introduced an expensive prime rate option into its borrowings.

In Europe, Italy is paying around ½-⅝ per cent whereas its famous "earthquake reconstruction loan" of early last year offered a margin of only ⅜-½ per cent over Libor or ¼-⅜ per cent over U.S. prime.

Yet the question which, as yet, remains largely unanswered is how general such a hardening of conditions can really be expected to become.

There have been special reasons, peculiar to individual borrowers in most cases where margins have risen. Mexico has had to step up its borrowing programme very sharply because of the decline in world oil prices. Argentina has suffered from virtual collapse of its domestic economy and Italy *has met problems arising simply* from the sheer weight of its borrowing and its disorderly approach to the market.

The most special case of all has been Eastern Europe, which in the wake of the Polish and Romanian debt crisis, is barely in a position to raise any medium-term money at all.

Even Yugoslavia has been caught up in the backwash of these problems and failed in its first attempt to raise a $400m credit from international banks in the autumn of last year.

In fact, a powerful argument in favour of a general hardening of margins is the Polish debt crisis, which has caused banks to look much more carefully at sovereign risk-lending all over the world.

Even highly rated borrowers in the industrialised world, such as Ireland, Belgium and Denmark, are being treated with far greater caution than they were before.

There are two other arguments in support of higher margins. First, banks are beginning to find themselves under-capitalised to sustain a very large amount of new business—the returns are simply not adequate to allow them to boost their capital and reserves enough to allow them to go on expanding their balance-sheets.

The other is the question of liquidity. Whereas Opec countries were supplying the market with large amounts of fresh money in the immediate aftermath of the second oil shock, their balance of payments surplus has now declined and in the third quarter of last year they became net borrowers from the international banking system.

If banks are short of liquidity and desperate to restore their levels of profitability, the argument goes, then margins are bound to rise.

Yet paradoxically, few banks actually complain of having too little money to lend. Most say that there is still too much around and the spirit of competition which is led most aggressively by the Japanese banks is still very strong in certain areas.

Thus, while the lesser rated credits are having to pay more, it is still possible for top-rated borrowers to get away with very fine conditions, even though the definition of what exactly is a top-rated borrower is changing.

Some of the countries in Western Europe are not as popular as they were before. But Australian borrowers, who are far removed from the political and economic upheavals of the rest of the world, still face a deluge of interest in lending by foreign banks.

Margins in the Far East have come down to barely profitable levels, and while the decline may have bottomed out they show no real signs of rising again.

Indonesia and Malaysia were both able last year to raise ten year money at a margin of only ⅝ per cent above Libor. More recently, Korea's Eximbank has been able to obtain a loan priced at only ½ per cent over Libor, down on the split ⅝-¾ per cent margin awarded to the Korea Development Bank in late 1981.

So long as margins as low as this persist it will hardly be possible for banks to claim that conditions in the market have become satisfactory again for lenders. Margins may appear to be rising, but this will simply reflect harder terms for those countries or groups of countries whose credit rating has actually deteriorated significantly, either as a result of political developments, excess borrowing demand or economic upheavals at home.

Some bankers, of course, welcome the growing polarisation between good and bad credit risks. With the general decline in margins up till last year, the difference between types of risk had become too blurred, they say.

But the main problem for many banks now lies in the need to chase a diminishing amount of business that is both safe and profitable. As a result the syndicated credit market, throughout the ranges of credit risk, has become uncertain and volatile.

Loans are taking much longer to price and sell than they were before and the volume of actual business being done seems to be diminishing.

January figures from Morgan Guaranty Trust showed that new Eurocredits during that month totalled only $5.1bn, the lowest total since last May. No one expects last year's record $133.2bn volume to be matched in 1982—some $45bn of this amount was in any case due to a unique borrowing spree by U.S. corporations in connection with the takeover fever that hit Wall Street last summer.

What this means for some of the world's heaviest borrowers such as Brazil, whose needs this year amount to some $14bn and Mexico with gross requirements of $20bn, is that they will have to look increasingly to other forms of finance.

The syndicated credit market as presently constituted seems to be reaching just about the limit of its ability to channel funds to where they are most needed.

TOP LEAD MANAGERS OF SYNDICATED EUROLOANS 1981

		$bn	Deals
1	Chase Manhattan	44.2	149
2	Citicorp Intl.	38.1	143
3	Morgan Guaranty	31.0	81
4	Bank of America	26.0	111
5	Man. Hanover	24.5	119
6	NatWest	22.6	89
7	Bank of Tokyo	21.0	131
8	Bque N. de Paris	16.2	57
9	Bankers Trust	16.0	65
10	Barclays Bank	15.0	68
11	Ryl. Bk. Canada	14.6	95
12	Bk. Nova Scotia	14.1	64
13	Arab Bkg. Corp.	14.0	66
14	Bk. of Montreal	13.7	53
15	Cred. Lyonnais	13.7	86
16	Sumitomo Bank	13.4	70
17	Gulf Intl. Bk.	12.5	69
18	Ind. Bk. of Japan	12.2	48
19	Lloyds Bk.	12.0	88
20	Fuji Bk. Grp.	12.0	68

Source: Capital International Finance Data

Obstacles to rate negotiations

Export credits

PAUL CHEESERIGHT

INDUSTRIALISED nations are being forced again to consider the interest rate structure for export credits, with a maturity of two years or longer, granted mainly to developing countries for the purchase of capital goods.

The level of interest rates settled last October came into force in November to last for six months—so, the negotiations for a new agreement are likely to reach a climax at the end of April or the beginning of May.

But agreement will not be easy and it seems likely that the long-term aim of the U.S., to eliminate subsidies from the system, will remain as elusive as ever in the face of EEC desires to keep interest rates as low as possible and because of Japan's demand to keep its export credit rates closely tied to *its low domestic market rates.*

Export credit interest rates then will remain at sharp variance with the general level of interest rates on the main financial markets, except Tokyo and Zurich. The present minimum export credit rates move between 10.0 and 11.25 per cent, depending on the maturity and the nature of the borrower.

The exception is for credits made in the low interest currencies—primarily the yen, but also the Swiss franc—where the minimum is 9.25 per cent.

The rates and conditions for making export credits are settled within the "Arangement on guidelines for officially supported export credit," usually known as the Consensus. The arrangement is informal and is worked out under the aegis of the Organisation for Economic Co-operation and Development. The members are 22 industrialised nations, but the main negotiations take place between *the U.S., Japan and the EEC.*

A rise of 2.25-2.5 percentage points in the pattern of interest rates last year took a good deal of the heat out of what had become a *politically sensitive* and contentious issue. But since then the prospects of further changes have become caught up in the tension which has overshadowed the international trading system.

This has had two distinct effects. First, the broad alliance of view between the U.S. and Japan on the desirability of pegging export credit interest rates to those prevailing on domestic markets has been split.

U.S. irritation about the whole range of Japanese trading policy has led senior officials to accuse Japan of artificially holding down domestic interest rates, precisely so that the Tokyo Government can continue to offer export credit rates lower than the general Consensus.

This breach first became apparent when the U.S. at the October Consensus meeting accepted an EEC compromise proposal on the interest rates, leaving Japan isolated, but in a special position. So far there has been no indication that Tokyo is prepared to budge and it does not accept the charge that it maintains domestic interest rates artificially low.

This leads into the second effect. The U.S. remains anxious to bring the Consensus pattern of interest rates a few percentage points higher. But as the *EEC is also perturbed about* Japanese trading policy, it will be difficult for it to accept U.S. demands while leaving Japan in what it seems as a privileged position.

All of this suggests that the momentum for change in the system, which the U.S. at least thought had been created at the October Consensus meeting, may be petering out. But while radical changes in interest rates may be ruled out, there are two areas where alterations seem probable.

The first is the extension of sectoral agreements outside the main Consensus. At present, the Consensus does not cover areas like nuclear power plants and aircraft. But the U.S., France, Germany *and the* UK have reached agreement on the financing conditions for the sale of competing wide-bodied jets. There is a predisposition to extend this. The U.S. is also talking with nuclear power plant exporting countries on the possibility of a new agreement.

The second area where alterations seem probable is within the Consensus and relates to the classification of borrowers. They are split into three categories at present roughly according to per capita income.

There are anomalies, however, such as the classificiation of the Soivet Union and Comecon countries as "intermediate," meaning that the minimum rates of interest applied to them are lower than they are for the "relatively rich."

At least as far as East European countries are concerned, the rising political temperature following the imposition of martial law in Poland may provide the impetus for change.

In the past, borrowers have resisted pressure to pay higher interest rates. The Soviet Union has been particularly firm in its demands for credits at the most advantageous rates of interest and European companies and governments especially have been prepared to acquiesce in the hopes of winning major project contracts.

The need for such contracts remains just as acute because of the recession, but the greater part of the available business remains in the developing world, in the "relatively poor" countries. This in itself is a problem because, even before the Polish financial crisis, export credit insurance agencies were having to meet record amounts in claims.

Part of the reason for the losses was the proliferation of high risk insurance schemes covering areas like cost escalation and exchange rate fluctuations. But all of this is coming on top of funds—estimated at $6bn—which agencies paid out last year on meeting the gap between the Consensus level of interest rates and the market cost of funding the credits.

Export credits have thus become an increasing burden at a time when many Western Governments are retrenching.

Over a period, financial pressures may force changes in the system. Certainly, this is what national treasuries would like—even if trade departments remain wedded to their vocation of encouraging exports, regardless.

PARTICIPANTS IN THE CONSENSUS

The rates and conditions for making export credits are settled with an "Arrangement on guidelines for officially supported export credit," usually known as the Consensus. The participants are: Australia, Austria, Canada, EEC, Finland, Japan, New *Zealand, Norway, Portugal,* Spain, Switzerland, Sweden, and the U.S.

MINIMUM INTEREST RATES

Duration of loan	2-5 years	5-8.5 years	8.5-10 years
Country category:			
Relatively rich	11.0	11.25	—
Intermediate	10.5	11.00	—
Relatively poor	10.0	10.00	10.0

The banks' success may have lulled them into a false sense of security

Facing up to the future

Project financing

WILLIAM HALL

THE SUMS of money the international banking community will have to find over the next few years to finance many of the projects on the drawing board around the world are awe-inspiring and underline the scale of the challenge facing the banks.

The international oil industry is probably the single biggest market for project-related lending and even though the sums involved have always been large the latest figures are worth repeating if only to underline the magnitude of requirements.

Chase Manhattan Bank, which keeps financial tabs on the oil industry, estimates that capital spending over the next decade will amount to $2,700bn (£1,500bn). Much of this will be financed from cash flow but the oil companies will still have to borrow over $100bn a year. New offshore oilfields can cost anywhere between $200m and $3bn to develop.

Aside from the scale of the financing required in many projects the international banks also have to face up to another problem. In many cases equity finance—historically the major source of risk capital for new projects—will not be available and traditional debt markets will be closed.

The banks are going to have to shoulder much of the burden and this is where project finance comes into its own.

Mr Marcel Sarmet, head of the project finance operations of France's big bank Credit Lyonnais, has defined project finance as "the financing of an economic unit which is viable technically, commercially and financially and whose future cash flow is judged high enough to cover, with a safety margin, operating costs, debt servicing and an adequate return on investment."

Bankers argue that if they can identify the risks involved in a project and then eliminate them project lending is no different in reality from conventional lending and can be considerably more profitable.

Not all bankers accept this argument. Some believe that banks are being asked to accept unduly high risks in order to ensure a project's financial viability.

The other complicating factor is that whereas bankers have traditionally been able to cover themselves by taking security on easily identifiable assets such as land, many of the projects to be financed are undeveloped and in inhospitable areas.

It is virtually impossible to put a value on a half-completed pipeline at the bottom of the North Sea or a mine in a politically unstable African state. By contrast, a piece of prime property in central London can be easily valued as security.

For these reasons bankers can gain little comfort from the belief that if the worst comes to the worst and the project fails they can realise the asset value of their investment to cover their loans.

The purest form of project financing is where the lenders rely solely on the cash flow of the project to ensure the payment of interest and repayment of loans. This is known as "non-recourse" finance, meaning that the lender has no recourse other than to the project's cash flow.

In practice pure "non-recourse" financing is rare and lenders generally look outside the project for some extra guarantees or commitments to support the banks if the project turns sour. This type of lending, known as "limited recourse" lending, is becoming increasingly common in areas such as, for example, the North Sea.

Before any project financing is completed there is normally a lot of behind-the-scenes "horse trading" between the main parties involved. The banks start from the position of taking a reasonably pessimistic view of the project in order to try to anticipate what can go wrong. On the other hand the project sponsor often starts from the other extreme and tends to stress the most favourable outcome as the basis for the project's financial assumptions. The key to success in project financing lies in marrying the two extremes without accepting undue risk.

Before a bank agrees to lend money to a project it often calls in outside advisers to help it analyse the risks involved.

In the case of natural resources projects these fall into four broad categories: (1) the reservoir/ore body risk; (2) the completion risk; (3) the operating risk; (4) the political/fiscal risk. Each can affect the overall viability of a proposed project. In the case of other projects in areas such as shipping the risks are different but the underlying principle is the same—the project has to generate sufficient cash flow to provide more than adequate cover for the loans.

Stripped of the jargon and mystique which has grown up around it the concept of project finance remains at heart very simple and is in line with one of the basic banking maxims—that loans should be linked to an underlying trade transaction which will provide the funds to liquidate the loan. In this context it can be argued that project-type lending is a better bet for banks than large-scale sovereign risk lending, where the ability of the borrower to repay may be sometimes in doubt.

To date the banks involved in project finance have been very successful and there are very few cases where they have lost money. As a result there is a danger they might be lulled into a sense of false security. The rise in oil and other raw material prices over the last decade has disguised many mistakes in project lending.

Whether the banks' track record over the coming decade will be as trouble-free in the project finance field remains to be seen. There are a number of areas of potential concern.

The most obvious is the degree of risk banks are being increasingly asked to shoulder. In the past, for example, it was unusual for a bank to share some of the risk that a project might not be completed. This was regarded as the project sponsor's risk.

The frontiers of acceptable risk for the banks are advancing steadily, however, and now banks are prepared to shoulder some of the risk that the project will not be completed and to provide funds several years before a project starts to generate cash.

This trend reflects the confidence of banks that they can properly identify the risks involved and have eliminated them to their satisfaction. Ten years ago, for example, at the time of BP's Forties Field financing in the North Sea, many bankers found it hard to accept the risk that they would not be repaid if there was insufficient oil in the field. Today the "reservoir risk," as it is called, is accepted by most banks.

Nevertheless, the increasing sophistication of the banks in accepting project finance risks is being matched by fierce competition for a type of business offering higher margins than transitional lending. It is one thing where the majority of the ultimate risk is borne by state-backed export credit agencies such as Britain's ECGD, France's Coface and Germany's Hermes. It is quite another case when banks are required to put up effective risk capital, especially when they are not offered equity rewards in the form of royalties, etc.

At the end of the day there are only a few major banks which have the technical and financial capacity to put together the purer forms of project finance. The others in the market rely heavily on their expertise and reputation when forming their own decision on the extent of their involvement. It is a heavy responsibility.

Boom looks set to continue

Commercial paper market in the United States

DAVID LASCELLES

RECORD high and volatile U.S. interest rates may have nearly done the U.S. bond market to death, but they have worked wonders for the American commercial paper market.

This little-known, but increasingly popular, source of short-term funds is booming. It swelled by 25 per cent last year to more than $160bn, and all the indications are that business will be brisk again this year with foreign participation growing especially quickly.

Commercial paper is little more than a corporate IOU, sold by companies which want to raise some short-term money. The buyers are usually institutional investors or other corporations which have some spare cash that they want to park for a while. The blossoming money market funds are also big participants.

The appeal of the market as it has evolved in the U.S. over the last couple of decades is its flexibility; the relative lack of regulation and—best of all—the attractive terms that first rate borrowers can obtain there. Its recent boom also owes a lot to the thirst for short-term funds stemming from high interest rates.

The market can be sliced a number of ways. In terms of the type of issuer, about two-thirds of the money raised in the market goes to financial institutions, such as banks which use it as a funding source. Recently there has been a sharp growth in foreign bank participation: National Westminster Bank of the UK, the Bank of Montreal, the Bank of New South Wales and the Dresdner Bank have been among new arrivals during the last year or so.

The remaining third is raised by non-financial corporations, mostly large U.S. companies such as General Motors and Sears Roebuck, and a small but growing band of foreign corporate borrowers mainly from Europe, Japan, and Latin America.

The major qualification for entry into the market is an excellent credit rating — memories of the bankruptcy of Penn Central, which went bust with $80m in the market, still haunt investors. But most borrowers — especially ones from abroad—also need a bank line of credit to guarantee their paper should anything go wrong. This adds slightly to the cost of borrowing, but is essential in many cases.

The market can also be divided between paper that is issued directly by the borrower, and that which is placed by a "dealer" or underwriter. Only the very largest corporations and banks place their own paper, usually via their finance departments which contact potential investors. This saves fees, but only the Exxons of this world can do it.

Most borrowers enlist the services of the half-dozen or so Wall Stret firms which specialise in the market: Goldman Sachs, A. G. Becker, Salomon Brothers, Lehman, First Boston and Merill Lynch. They take a fee of about ⅛ of 1 per cent of the amount raised.

Commercial paper occupies a special place in U.S. securities law and is exempt from much regulation. Issuers do not have to register with the Securities and the Exchange Commission, which means that borrowings can be arranged at comparatively short notice.

This exemption has its conditions, however. Paper may have a maximum maturity of nine months, it may not be sold directly to the public, and it must be used for current financing, with one or two exceptions.

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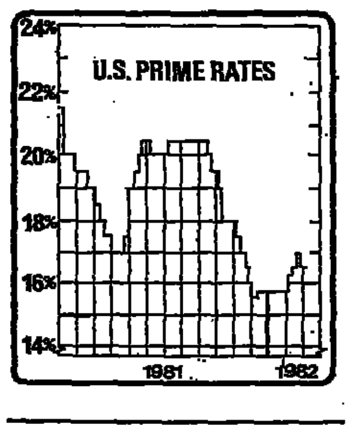
INTERNATIONAL CAPITAL MARKETS IX

Brisk start for Euromarkets in the U.S.

New competition hopes to challenge London



New York offshore banking facilities

DAVID LASCELLES

JUST OVER three months have passed since the U.S. took the historic step of admitting the Euromarkets to its shores. This new phenomenon on the world banking scene has clearly got off to a brisk and orderly start. Whether it will now go on to pose a major challenge to established offshore centres like London is a question that could take years to answer, however.

By the end of last month some 260 banks, both U.S. and foreign, had entered the U.S. offshore market with assets totalling $66bn, equal to about 5 per cent of the Euromarkets worldwide. Most of them were in New York, but some were in less likely places like Laredo, Texas, and Detroit, Michigan.

Offshore banking was made possible when the Federal Reserve Board last year authorised banks to set up so-called International Banking Facilities (IBFs) exempt from certain U.S. bank rules which otherwise added to the cost of doing business in the U.S. and gave the Euromarkets a strong competitive edge.

These were Regulation "Q." which limits the amount of interest banks may pay on demand deposits, and the requirement that banks in the U.S. put up a portion of their deposits as non-interest-bearing reserves with the Fed.

Several states, led by New York, also exempted IBFs from local taxation, which means that they enjoy the same tax advantages as American-owned offshore subsidiaries which are effectively subject only to federal tax.

The move was a triumph for U.S. international banks, which had argued for years that the Fed's strict rules were driving good banking business abroad. After lengthy study the Fed was eventually persuaded that IBFs would bring benefits in the form of greater banking competitiveness—and therefore better profits—that would outweigh what it perceived to be the disadvantages. Chief among these was the danger of "leakage" between the domestic and offshore banking systems which would lead to abuses and even complicate the task of implementing monetary policy.

Because these anxieties were not wholly expunged the Fed slapped a number of conditions on IBFs. The major one is that IBFs may not issue negotiable instruments like certificates of deposit (CDs)—a restriction which irks the banks because it looks unnecessary and reduces the market's liquidity. By the some token IBFs may only lend to and take deposits from foreign residents and corporations, including the foreign subsidiaries of U.S. corporations, and other IBFs. Non-bank depositors must also give two days' notice of withdrawal, and transactions must be a minimum $100,000.

U.S. banks are not altogether happy with these constraints, which are totally unknown in the Euromarkets.

Especially annoying is a requirement that banks must obtain a letter from U.S. corporate clients pledging that IBF transactions will be connected with offshore activities.

A note of uncertainty has also been injected by New York State's failure to spell out the exact tax status of IBFs and answer questions like how costs should be allocated between the parent bank and the IBF: on the basis of assets or what?

Congress provided relief on one score. The Federal Deposit Insurance Corporation, the Government agency that levies premiums on banks to insure depositors against bank failures, had ruled that IBF deposits must be insured. This would have added to the cost of carrying IBF deposits—not very much but enough to make a difference in the hotly competitive offshore markets. But in December, only weeks after IBFs started. Congress enacted a special exemption sponsored by a Congressman from New York.

The Fed is understood to be happy with the way things are going and may make some small adjustments to help them along. But allowing negotiable CDs is "out of the question," say sources there.

Banks were allowed four weeks to transfer assets from their various units into their newly-created IBFs. So there was a strong initial burst of growth which levelled out quickly once the grace period was over. In an analysis of IBFs after six weeks, Salomon Brothers, the Wall Street investment firm, found that they had assets totalling $61.2bn. Over half of these consisted of assets transferred from offshore facilities, usually by U.S. banks "repatriating" offshore business rom "shell" units established in the Caribbean.

The rest came in the form of assets transferred from the books of the U.S. parent. In this case, it was mostly foreign-owned IBFs shifting across business already booked in the U.S.

Banks are still cagey about disclosing their IBF performance. Some say that depositors have been keen to place their money in the U.S.—a safe political haven. Others report a slight hesitance, particularly on the part of depositors in the Middle East who fear a possible repeat of the Iranian assets freeze ordered by President Carter.

The New York IBF market has not, however, thrown up a new tier in the Euromarket interest rate structure, as some analysts had predicted it would.

On the face of it New York might have been expected to have lower rates than the Euromarkets—a NYBOR to challenge the LIBOR. Competition for funds has been surprisingly strong, however, and this has kept upward pressure on rates. The Japanese banks, barred by their domestic regulators from participating in the Caribbean offshore market, appear to be making up for this by being specially active in New York.

On the assets side IBFs offer banks a new centre to book their loans. But in practice it makes little difference. Loans may be—and usually are—booked in the centre that is most convenient from an administrative and tax point of view. Before IBFs were opened Western hemisphere loans were usually booked in the Caribbean, though still administered from New York. Now they can be booked directly into New York.

"IBFs do not allow us to do anything that could not be done before. They just allow us to do it more conveniently," says Mr Donald McCouch, senior vice-president at Manufacturers Hanover, one of the big New York banks which has been most active in promoting IBFs.

New York's offshore market growth appears to have been mainly at the expense of the Caribbean "shells" which were the fictitious booking addresses for New York loans. Although the Salomon report was headlined "City Beware!" London would seem to have little to worry about from the new competition. But some bankers believe IBFs contain the seeds for big shifts in the structure of the offshore markets in the years ahead.

Initially New York will become the centre for offshore banking in the Western Hemisphere—a large market which includes the Caribbean and Latin America. Later it could even become the dominant force in offshore markets, including not just the Eurocurrency markets but the Eurobond markets as well.

"The world offshore market is bound to gravitate towards New York," says Mr James Borden, vice-president at Chase Manhattan, another leading bank, who sees New York undergoing in the 1980s the kind of growth that London went through in the 1970s. While London enjoys an obvious and unmatchable time advantage, sited as it is between the Asian and American markets, Mr Borden says that the bulk of decisions affecting the Euromarkets are already being made in New York, even by European banks who have come to recognise that the U.S. capital markets are the dominant influence on world banking.

Assets of international banking facilities operating in the U.S. by type of parent

Figures in $bn as at January 20, 1982

	Type of parent* Domestically chartered U.S. commercial banks	U.S. branches and agencies of foreign banks	Total
Assets transferred from books of U.S. parent	4.8†	22.5†	27.3
Assets transferred from abroad, etc.	28.1	5.8	33.9
Total Assets	32.9	28.3	61.2

* Reported in Federal Reserve weekly release H.4.2.
† Estimates based upon preliminary data for January 13, 1982, of $4.7bn and $22.2bn, respectively.

Source: Salomon Brothers

Flexibility for borrowers

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There is additional flexibility in the fact that the borrower can usually choose exactly how much he wants to borrow and for how long to the day, with the average maturity running 30-35 days.

Most instruments in the short-term debt markets have set maturities, usually measured in months. But commercial paper issues tend to be closely tailored to the borrower's needs.

Because commercial paper bypasses all the usual financial intermediaries, the cost of borrowing is almost always lower than the main alternatives, bank lending and the Euromarkets. Last year, the average rate on 30-day commercial paper was exactly 1 per cent below the London Interbank Offered Rate (Libor) and a substantial 2.85 per cent below the prime rate.

Foreign borrowers usually have to pay a slight premium over the going rate, about 0.05 to 0.50 per cent.

Although foreign borrowers first tapped the market in the early 1970s, they did not come in a big way until late in the decade. Currently, some 200 non-U.S. companies have about $12bn to $15bn outstanding, which is less than 10 per cent of the total market. However, since overseas borrowers are almost exclusively in the dealer-placed market, their weighting there is heftier: about one-fifth.

Mr Roger Vasey, chairman and president of Merrill Lynch Money Markets, the commercial paper arm of the large broking firm which has made a point of developing foreign business, says he has "10 to 15" issues in the pipeline for the first half of this year, a record for the firm. He also believes more foreigners are coming into the other side of the market as investors.

Commercial paper has not escaped controversy, however. The market has become a major battleground in the long-running war between U.S. commercial and investment banks over the right to underwrite securities. Commercial banks are barred from this by the Glass-Steagall Act which creates the dividing line between the two realms of banking. Commercial paper, however, is a legal grey area which the big commercial banks think they can penetrate.

Led by Bankers' Trust, the large New York bank, they started issuing commercial paper on behalf of clients a couple of years ago, arguing that it is not a security and not therefore subject to the constraints of Glass-Steagall. The Wall Street investment banks quickly responded by filing a suit against the Federal Reserve Board, which regulates the banks and believes they should be allowed to deal in commercial paper.

Last year, a Washington court ruled that commercial paper was a security, which was a setback for the banks and the Fed. However, the court did not find that banks were "underwriting" the paper they issued, implying that here was nothing illegal in what they were doing. The Fed is now appealing that ruling to try and clear the matter up once and for all. The banks, meanwhile, continue to offer the service.

If the banks win, they will establish a useful bridgehead in Wall Street's traditional territory. But for precisely that reason, Wall Street is fighting tooth and nail.

Bankers' Trust carefully describes itself as "sales agent for placement of commercial paper," not an issuer or dealer. It has a client list of about 15, including big names such as Coca Cola, ITT, RCA, Thomas Lipton (of the Unilever group) and Total International (part of CFP).

The question hanging over the future of commercial paper is whether it will turn out to be a temporary phenomenon, fuelled solely by the rush to borrow short-term money while interest rates are high. Some analysts believe the market will cool down once interest rates abate and enable companies to borrow long again. But the way U.S. interest rates have been behaving for the last couple of years, that time could be some way off.

The market's backers, not surprisingly, believe commercial paper is here to stay. The sheer convenience and flexibility of borrowing there, to say nothing of the relatively low cost, have established it as a permanent alternative source of founds, they claim.

U.S. COMMERCIAL PAPER MARKET

Amount outstanding at year end, figures in $bn, seasonally adjusted

1970	33.4
1971	32.4
1972	35.1
1973	41.6
1974	50.0
1975	48.4
1976	52.9
1977	65.1
1978	83.4
1979	112.1
1980	123.6
1981	164.0

Source: Federal Reserve Bank of New York.

The UK acceptance market has grown by two-thirds since late summer

A useful alternative source for borrowers

The UK bankers' acceptance market

WILLIAM HALL

IT IS only six months since the UK Government opened up the London acceptance credit market to foreign banks, but in that time it has established itself as a useful alternate source of funds for Euromarket borrowers.

Pemex, the New Zealand Government, Gaz de France, the Agricultural Marketing Authority of Zimbabwe, Petrobras and Chemolimpex Hungarian Trading Company for Chemicals, are just a few of the names which have arranged sterling acceptance credit facilities in recent months.

The variety of the borrowers underlines the fact that the bill on London, once one of the premier instruments of international trade, is making a useful comeback. The UK acceptance credit market is unlikely to ever rival the U.S. bankers' acceptance market in size, nevertheless, it has grown by two-thirds to around £10bn since the late summer.

One experienced discount house observer, who had been initially suspicious of the impact of the new banks on what is a very traditional market, says that the past six months have "gone much better than expected."

Whilst international bankers are generally more concerned with margins and profitability, the traditional London discount houses are much more interested in the "quality" of the paper going through the market. And here the verdict seems to be that after some early lapses the quality has held up well.

It is sometimes overlooked that in the UK acceptance market, unlike some others, the paper has to be linked to an underlying trade transaction. If there is no evidence of this transaction, the Bank of England can, and does, refuse to buy the paper in the course of its money market operations.

The recent expansion of the acceptance credit market in Britain dates from last August when the UK Government introduced its new monetary control measures. One of the key elements in the new arrangements was a switch in the emphasis of the authorities money market operations from discount window lending to buying and selling commercial bills.

In order to do this successfully they needed to boost the flow of bills through the market. In addition, the authorities were sensitive that the UK acceptance market was a closed shop in the eyes of many of the world's international banks.

The list of banks whose paper was eligible at the Bank of England had been looking out of date for some time. The privilege was largely confined to the British clearing banks, the accepting houses, a motley collection of other UK banks and various Commonwealth banks. On top of that there were one or two "Bank of England customers of long standing," such as Ogilvy, Gillanders and Co., the tea merchants, based in Sevenoaks.

In order to bring the list up to date and encourage a more plentiful supply of bills, the Bank of England has added another 50 or so banks to its list of recognised banks whose bills are eligible for discount at the Bank. The biggest contingent (17) came from the U.S., Japan supplied seven names and the bulk of the rest are from Europe.

The Bank of England is prepared to grant eligibility to recognised banks which have and maintain a "broadly-based and substantial acceptance business in the UK and which can command the finest rates in the market." Foreign banks, in addition, have to prove that British banks enjoy reciprocal opportunities in their domestic markets.

This last criterion has proved a sore point with some banks, and led to the Italian banks being left off the list. They have since been included but some other banks are still not particularly happy about the way the Bank of England seems to be applying the rules. In the case of Nordic Bank and Scandinavian Bank, the authorities have said they can have eligible status provided they do not engage in non-Nordic related business.

For the London accepting houses, acceptance credit business was their original raison d'etre, and many of them are unhappy about the authorities' decision to virtually double the numbers of players in the game by opening the doors to foreign banks. For years they have dominated the market and the handful of Canadian and Australian banks in the market had never taken advantage of their position to generate new business.

The arrival, however, of the new eligible banks has hit the merchant banks' market share and, even worse, undermined margins. Prior to the widening of the market, the accepting houses had well over a third of the market, but over the past six months their share has dropped to just over a quarter. By contrast, the U.S. banks have more than doubled their business and the Japanese banks have more than trebled their business.

The market has grown very substantially, however, and even though they have been losing market share the accepting houses' business has grown significantly.

On balance, the authorities appear reasonably pleased with the initiative. The supply of bills has been increased sufficiently to give the authorities considerable flexibility in their money market operations, the competition has driven down margins which is a useful spin-off for borrowers and the market's growth has enhanced the City's role as an international financial centre.

One of the authorities' primary concerns has been to ensure that the growth of the market did not lead to a proliferation of paper which has little relation to underlying trade transactions. The Bank made an exception for the £150m revolving acceptance credit for New Zealand, but has generally insisted that the bills should identify the underlying trade transaction for which the financing is being arranged and they should be in the terms of the Bank's aide memoire "short-term and self-liquidating."

The Bank has circulated a couple of these aide memoires to give newcomers a guide to the groundrules. The Bank, for example, does not like bills whose drawer and acceptor have a shareholding link ("pig on pork" bills).

It also does not like bills drawn for a tenor of longer than 180 days and foreign "inland finance" or "hire purchase" paper. However, it is prepared to make exceptions in special cases where sovereign risk is involved and where the financing is of a temporary nature.

The Bank of England's money markets division, which monitors the acceptance market, also attaches considerable importance to the "clausing" on bank bills and reserves the right to reject any bill with inadequate clausing.

The Bank's rules may seem rather old fashioned to many bankers, but they have worked well over the years and judging by the growth in the market over the past six months, the regulations are not proving an impediment to future expansion. Indeed, some bankers find the need to identify the underlying trade transaction a welcome discipline when arranging finance for some borrowers.

THE UK ACCEPTANCE MARKET

(Figures in £m)

	August 19, 1981*	January 20, 1982	Growth per cent
Accepting houses	2,088	2,629	25.9
London clearers	719	1,287	79.0
Total UK	3,661	5,473	49.5
American	695	1,533	120.6
Japanese	192	642	334.4
Other foreign**	1,309	2,240	71.1
Total foreign	2,196	4,415	101.0
Total	5,856	9,907	69.2

*Prior to market's expansion. **Includes consortium banks.
Source: Bank of England monthly banking figures.

More U.S. banks are offering finest rates

The Certificate of Deposit market

DUNCAN CAMPBELL-SMITH

THE SINGLE most important development in the international market for Eurodollar certificates of deposit over the last year has been an increase in the number of leading U.S. banks able to offer investors their paper at the finest prevailing rates.

Investors buy certificates of deposit (CDs) as a marketable alternative to putting their funds into a straightforward deposit. They pay for the marketability by accepting a yield just under the going deposit rate. But the acceptable discount is not large and typically fluctuates around only ½-¾ per cent on the yield even for the very best names—which now comprise nine U.S. commercial banks.

The nine in fact comprise the top ten New York money centre banks less First National Bank of Chicago, which suffered an embarrassing earnings decline and boardroom battle in 1979 from which its image for investors has still not fully recovered.

Investors in the CD market, it must be said, are notoriously finnickety. They can afford to be, having the run of a secondary market worth $78.2bn at the last count in mid-January and supported at its centre by the sophisticated trading operations of several major transatlantic broking houses in London, where the market is based.

This London base is in some ways an oddity, since many U.S. regional banks, as well as the New York banks, are among the issuers, giving the primary market a heavily North American flavour. At the same time, the great majority of CDs which find their way out of the professional trading market into retail ownership are bought by U.S. investors.

As much as 80 per cent of the market's outstanding paper is probably held in the U.S., though it is impossible to gauge this figure accurately. North American interest in CDs—both in the domestic U.S. market and in the quite separate Eurodollar CD market—has undoubtedly been boosted by the massive shift in the U.S. investor's attention towards money markets in the last few years.

It is the consequent need of these investors, particularly the huge money market funds, to enlarge their category of eligible securities that has helped expand the first tier of issuing banks.

Other tiers enjoy progressively smaller discounts to the interbank Eurodollar market. Thus, on one day late in February, the offer rate for 6 month Eurodollars was 15½ per cent. Top tier CDs were trading to yield about 14.55 per cent. Other New York money centre banks were around 14.65 per cent.

Regional U.S. banks were offering yields beginning at this level and going up to around 14.90 per cent, where the UK clearers and the major Canadian banks were trading. A range of miscellaneous banks, including Japanese names, benefited from little or no discount at all to interbank rates.

This spectrum of yields—always expressed for CDs in decimal terms—reflected a typical situation in the Eurodollar CD market.

The other significant differential is that separating Eurodollar from domestic dollar CDs. The U.S. market generally, though not invariably, yields around 30 basis points less than the Euromarket. This reflects the cost to the U.S. issuers of domestic reserve requirements, however, and if adjustment is made for this then the differential effectively evaporates.

London traders freely acknowledge that their market closely tracks the domestic market, only occasionally taking a sustained lead. Both markets now use a same day settlement basis. This has only been the case since last October—when London's U.S. clearing system switched from two day settlement—and the change may have helped align the two markets even more closely by facilitating arbitrage trades.

Few traders, though, believe arbitrage in the secondary CD market is of much importance. Yields on the two sides of the Atlantic are really prevented from diverging much by the weight of new issues coming constantly to the markets and choosing between one and the other.

A far more important change, for both the markets, could be the influence of the new financial futures markets. Eurodollar deposit futures were introduced on the U.S. market in Chicago last December, where domestic CD futures were already available. Futures contracts on three-month Eurodollar deposits will also be available on the new London International Financial Futures Exchange (LIFFE), due to open in September.

Eurodollar deposit futures could be used increasingly by CD traders to hedge their CD operations, matching futures contracts against current trading positions. Many professionals are also confident that a growing turnover in deposit futures will spur a reduction in margins and boost in volume for the CD markets.

It is still a little early to discern the precise working of this effect. The relationship between Eurodollar CDs and Chicago's Eurodollar deposit futures is being watched very closely and compared with the relationship between dollar CDs and dollar CD futures.

The first relationship seems bound to be less straightforward. Eurodollar CDs are not directly involved with Eurodollar deposit futures, since the latter are settled in cash in the U.S. and (putatively) London, with a running bank deposit alternative in London.

The introduction of a Eurodollar CD future contract, or even of a settlement arrangement for Eurodollar deposit futures which use CDs, holds the promise of a further catalyst for the cash market.

In less arcane respects, meanwhile, the physical expansion of the investor pool holds out more immediate growth prospects. The London secondary market, for example, features an increasing number of "semi-professional" participants. These are often subsidiaries of major banks, based perhaps on the continent or in Bahrain. They will quote two-way prices as and when it suits their book without feeling obliged to make a market.

The principal market-makers, which do accept this obligation remain the London offices of such houses as Salomon Brothers, A. G. Becker, Bankers Trust and Kuhn Loeb. Leading non-U.S. participants include Credit Suisse First Boston and the UK discount house, particularly Gerrard and National.

They appear generally confident of another year of substantial growth. A change in the regulatory environment for resident Japanese investors on April 1 is the next item on the agenda, stirring expectations of a whole new area of demand.

PUBLIC SPENDING IN BRITAIN

The unfunny money puzzle

By Sir Leo Pliatzky

THIS YEAR'S public expenditure White Paper* which appeared on Budget Day, is a milestone in the onward march of monetarism. At the same time, if you know how to decipher the inscription, you will find there the epitaph for the expenditure leg of the medium-term financial strategy. It is of course this setback on the expenditure side which required the Chancellor to effect increases on the taxation side last year—and to do something similar this year when National Insurance contributions are taken into account—if he was to stick to the objective of borrowing less and thus to adhere in principle to the strategy as a whole.

The White Paper has a new-look, wide-screen appearance, with a lot of coloured charts. But the really important break with the past is the abandonment of planning in volume terms (or real terms) which has prevailed since the first medium-term public expenditure survey in 1960. This time the forward plans are expressed entirely in cash terms: the cash figures have been worked out on the basis that public sector costs in 1982-83 will go up by 4 per cent for pay and 9 per cent for other prices, and that in the two following years public sector costs will go up by an average of 6 per cent and 5 per cent respectively.

To oversimplify a little, the difference between the two methods is this. Under the old system future plans were made for a physical volume of roads, schools and so on which were costed at constant (i.e. unchanged) prices — known to the irreverent as funny money; the actual amount of money required to pay for this volume, at prices of the day, was worked out year by year when the time came.

Under the new system, the amount of money for each programme is planned for a period of years ahead, with a predetermined allowance for price changes, and the physical volume of each programme will have to fit this amount of money. Cash planning could therefore easily turn out to be a bed of Procrustes. Some flexibility is provided, however, by the contingency reserve which forms part of the planning total and from which extra amounts can be allocated to particular

TABLE 1

Central and Local Government Expenditure* in Real Terms

	Year-on-year % change
1977-78	−6.5
1978-79	+5.7
1979-80	+2.5
1980-81 (provisional)	+2.9
1981-82 (rough estimate)	+2.0
1982-83 (projection)	+0.6
1983-84 (projection)	−1.8
1984-85 (projection)	Nil

* Including net debt interest.

(Note for the experts: these calculations for future years differ a little from figures on the front page of the Financial Times on March 11 because of a different coverage and because of the assumptions used for the GDP deflator.)

TABLE 2

Ratio of Public Expenditure to GDP at Market Prices

1975-76	46%
1976-77	44½%
1977-78	40½%
1978-79	41%
1979-80	41%
1980-81	43½%
1981-82 (estimated)	45%

programmes if Ministers so decide: the large amounts in the contingency reserve play an important role in the credibility of the plan. In a book called *Getting and Spending*†, which is published later this week, I discuss cash planning more fully in a chapter headed "Will funny money have the last laugh?" and give a guarded welcome to the new system, while pointing out some of the pitfalls if inflation does not come down as is hoped.

But it is something of a shock to find that all the White Paper figures are expressed purely in cash terms not merely for future years but for past years as well, with no adjustment to take account of inflation. As a result, you cannot tell from the White Paper what has been happening to public expenditure in real terms from year to year, or what is planned to happen in real terms on the Government's own assumptions about inflation. Given that public expenditure accounts for such a large proportion of GDP, this is surely something we need to know, just as we need to know what is happening in real terms to GDP itself.

I dare say that the Treasury agonised a good deal about this, but I feel that the commitment to the new monetarism has gone too far in failing to give a series of public expenditure figures in real terms, and it is to be hoped that the omission will be made good next time. It is one thing to plan in cash terms; it is another thing altogether to refuse even to take cognisance of what is happening to the real value of cash and of the results in real terms.

There are two other features of the White Paper which make it difficult to see how public expenditure and the Government's plans have been going. First, the definition of public expenditure used in the "planning totals" is rather esoteric, and in particular excludes over £6bn of net debt interest. And then, though the new White Paper figures are compared with those in the 1981 White Paper, no comparison is made with the figures in the 1980 White Paper which corresponded to the original medium term financial strategy. Thus the tables do not bring out the fact that in a single year, between the 1980 White Paper and the 1981 White Paper, there was a large upward revision of the strategy figures; and now we have a further upward revision.

What has actually taken place, in summary, is this. An initial short White Paper in November 1979 (Cmnd. 7746) stated that "the Government's economic strategy must be to stabilise public expenditure for the time being." The Government's first full public expenditure White Paper at the time of the 1980 Budget (Cmnd 7841) went further and announced that "the Government intend to reduce public expenditure progressively in volume terms over the next four years." But the next White Paper (Cmnd. 8175) in March 1981 accepted that "the totals of expenditure . . . are higher than in Cmnd. 7841 and higher than the Government would wish." In this year's White Paper we find that there has been a further upward revision, *including the addition of £5bn* to programmes for 1982-83.

In *Getting and Spending* there are definitive tables of the growth of public expenditure, including net debt interest, from 1959 to 1980-81 both in current prices and in real terms. In a summary table prepared for this article (see table 1), I have extended the real terms series of figures in skeleton form to cover the period of the new White Paper plan, though the figures beyond 1980-81 are, in the circumstances, rather less definitive. The resulting picture, in bare outline, is that public expenditure has so far been neither stabilised nor reduced, but has increased year by year; but that after 1982-83 the revised plan, if achieved, would either reduce the total or stabilise it at something like the new high level which has been reached—a familiar phenomenon of less jam tomorrow.

Terry Kirk

Sir Leo Pliatzky: the new White Paper plan—a familiar case of less jam tomorrow?

There is just one set of figures in the White Paper which traces the development of public expenditure including net debt interest; that is the chart showing the ratio of public expenditure to GDP, and it gives the progression shown in table 2.

The recent increase in the public expenditure: GDP ratio reflects not only the growth in expenditure but also the fall in GDP during the slump.

I am sure that it is right to accept the inevitability of the increase in this ratio during the slump. I also think it right—if we are to get a reduction in the burden of taxation plus national insurance, especially on the less affluent—to hope that the ratio will come down in any genuine upswing in the economy, through an increase in GDP and a reduction in unemployment, rather than through additional economies in basic services. For the fact is that existing plans involve quite a squeeze in many areas of expenditure. There are three broad reasons why total public expenditure has never the less gone up. First, the government came to office with a number of perfectly honourable commitments to increases in programmes, including defence, health and pensions, which account for a large part of the total bill. Second, their hopes of over-compensating for these increases by savings in the nationalised industry and local authority fields were over-optimistic. And then the slump has resulted in more being spent on unemployment benefit and schemes to help industry and employment.

To all this we must add the dichotomy which exists between, on the one hand, the arrangements on the taxation side of the Budget, under which after some general preliminary discussion in Cabinet, decisions are taken by Treasury Ministers and the Prime Minister, and on the other hand the system for collective Cabinet decision-taking on public expenditure. The Select Committee on the Treasury and Civil Service are studying proposals for a new procedure in a report on Budgetary Reform by the Institute for Fiscal Studies; under the proposed two-stage procedure, a provisional Budget would be presented to Parliament in December and scrutinised by a Select Committee, and would be followed by firm Budget proposals in the spring. In a note to the Committee I have argued that this would entail not merely reform but a revolution in relationships both within the Cabinet and between the Executive and parliament. It will be surprising if the Treasury team lightly agree to relax their grip on taxation, any more than the Cabinet will give up their role in public expenditure.

* The Government's Expenditure Plan 1982-83 to 1984-85 (Cmnd. 8494 Volumes One and Two)

† Getting and Spending: Public Expenditure, Employment and Inflation (Basil Blackwell £12)

Sir Leo Pliatzky was formerly Permanent Secretary at the Department of Trade, and before that Second Permanent Secretary at the Treasury with responsibility for public expenditure. He presided over the introduction of cash limits in 1976.

Lombard

A hint for the private sector

By Samuel Brittan

A BUDGET which provides for an estimated cut of £1bn in the PSBR between 1981-82 and 1982-83—and even more significantly for a drop from 3¼ to 2¾ per cent as a proportion of the GDP—undoubtedly represents a tightening of fiscal policy. It is contractionary rather than stimulative in its effect on total cash spending.

But of course it is impossible to come to a full verdict without the interest rate side of official policy, which is decided on a much more short-term basis. Quite clearly the Government and Bank would like to get interest rates down as far as they can without jeopardising the present trade-weighted sterling exchange rate. The UK is much nearer to having a target range for the exchange rate around the 90 point than the Chancellor has ever admitted; and a break-out of the monetary aggregates beyond the stated guidelines will be taken much less seriously if the exchange rate remains reasonably stable.

An exchange rate constraint will, however, be anti-inflationary only if the rest of the world is following domestic sound money policies. But with many European countries trying to reduce interest rates for anti-recession reasons, and the dollar vulnerably high, an exchange target is an inadequate safeguard. Movements in currency markets could well at times permit excessive interest rate reductions in the UK as in other countries.

The pressures in this direction are enormous. British business leaders were asked in the Marplan Survey, published in Saturday's Financial Times, which change in government policy they would most like to see; and "lower interest rates" was by far the most popular single suggestion.

The one point on which all the diverse factions of the Reagan Administration agree is that the Fed is culpable for the high level of interest rates. One of the hazards of travelling in Europe—even in the German speaking hard currency countries—is that one may be asked to sign a petition against U.S. interest rate policy.

The appropriate level of interest rates for either any individual country or the world in general is peculiarly difficult to determine. Falling inflation rates are driving nominal interest rates down, while real interest rates are being pushed upwards by forces largely outside government influence. (The 35 per cent positive balance of businessmen polled by Marplan intending to increase investment, is astonishing at this early stage of recovery from a deep recession.)

Why this craze for lower and lower interest rates? Let an echt financial voice—Tony Rudd of Rowe, Rudd—explain:

"The whole problem of investment these days is that the initial years of adverse cash flow are more than many companies can bear. Interest clocks up immediately at horrific rates, albeit in inflation adjusted terms at apparently reasonable rates. But the fact that in real terms the rates may not be all that high is no comfort to the corporate treasurer who actually has to find the cash flow to fund the initial uncrafted interested payments. It's that which is the killer."

Yet the answer to this conundrum may be found in the revolutionary extension of indexation in last week's Budget (no doubt on Bank of England insistence). If indexation is souce for the Government goose, is it not also sauce for the corporate gander?

If the harassed corporate treasurer of Tony Rudd's example "can issue indexed debt and pay only 2 or 3 per cent then he's off to the races. He can afford to fund all kinds of capital expenditure which up till now had been barred."

The indexation of capital gains tax has removed one bar to indexed corporate bonds. The remaining obstacle is that corporation tax is levied quite unreasonably on the indexation element in capital repayments.

By encouraging a switch back to long term forms of finance, indexed corporate bonds would take some of the pressures off bank lending and thus reduce some of the hysteria surrounding short term, as well as long term, nominal interest rates.

Capital market indexation is not a panacea — merely sensible, like stopping knocking your head against a wall in the hope that the wall will go away instead.

Letters to the Editor

The EEC: a fair standard of living for agriculture

From Lord Brookeborough

Sir,—On March 11 your correspondent commented upon the failure of the Common Agriculture Policy to generate a "fair standard" of living for agriculture in the European Community. Farm income in the United Kingdom in 1980 had dropped by 20.4 per cent since 1974: but that was an average for the whole of the country, in Northern Ireland the drop in income was a massive 85 per cent. The implementation of the CAP has proved a disaster to Northern Irish agriculture up to date: and the future proposals for the CAP as outlined could produce a collapse, with enormous social consequences to our most important industry.

Over 90 per cent of our income is generated by livestock. Due to our climate and farm structure the only area for expansion and therefore for a "fair standard" of living is in dairying: but dairy products are in structural surplus in the Community as a whole, though not in the UK. Yet the UK, including Northern Ireland may be seriously inhibited by punitive levies introduced to curb the general Community surplus. Of more urgency is the proposal to strengthen the fortress of Europe to restrict the importation of "cereal substitutes" either by quotas or by levies. The facts are that any extra cost will destroy an industry already decimated by the CAP and throw at least another 5,000 people out of work at an annual cost to our Treasury of £25m to say nothing of the social consequences.

In the past, and hopefully in the future, agriculture in Northern Ireland has been saved from collapse by the use of national aids by Her Majesty's Government, ie. by the distortion of the CAP. These aids have been agreed by Brussels after laborious negotiations, and no doubt at the expense of some other need for agriculture in the UK as a whole. The irony of all this is that our agriculture is everything that an industry should be. It is efficient, thorough, and ingenious. We deserve a "fair standard" of living from the EEC, not annual charity.

Brookeborough,
House of Lords, SW1.

The Trident dilemma

From Mr M. Stadler

Sir,—The article by Ian Davidson (March 8), "The Trident dilemma," raises some interesting questions about British foreign policy assumptions. During a Commons debate on November 23 1964, Sir Alec Douglas-Home said that: "It is clear that without the nuclear deterrent, we shall certainly lose a great deal of influence, authority, and power in the international councils of the world."

At that time, it was possible to envisage that the balance could be maintained between conventional and nuclear strength, neither element being so small as to encourage an aggressor to seek a quick advantage or to risk a provocative local incident escalating into a major war. Now, the scenario has blackened, costs have escalated to the point where one side of the balance is going to have to be sacrificed. It would seem that Sir Alec's statement is apposite. Britain seems to believe that the country has an independent rôle and independent interests that have to be guaranteed by an independent nuclear deterrent. This is not realistic. The foreign policies of Britain's partners within both the EEC and Nato have shown a remarkable degree of unanimity in recent years. Our interests are equated with those of our partners, there is no longer a special rôle for Britain, as there are few significant commitments which we do not share with our allies.

What needs to be achieved, so long as nuclear weapons form part of Nato's strategy, is the European adoption of Trident. A multilateral mixed-manned force, with vessels as well as missiles owned by Nato countries, and no provision made for withdrawing elements of that force for national purposes under any circumstances. There seems to be no difference in terms of effectiveness of a force of such composition, compared with a British-owned and British-manned component which is assigned to Nato in peace and in war but can be used to defend Britain's special interests.

The advantages are obvious, the burden on the British defence budget would be lessened, allowing for an increase in expenditure on our conventional fleet. A larger fleet could probably be afforded, thus increasing effectiveness, and allowing Europe to discuss disarmament from a position of strength.

Mark Stadler.
15, West Park, Clifton, Bristol.

The argument about lead-free air

From the Secretary, Transport and General Workers' Union Shift Branch, Associated Octel

Sir,—The activities of CLEAR — the Campaign for Lead-free Air — have been receiving a lot of publicity recently. I am the secretary of the TGWU Shift Branch at Associated Octel, the company which manufactures lead additives for petrol.

I speak on behalf of all our members when I say that I am seriously disturbed by the allegations being made by the campaigners and in particular by Des Wilson, their chairman. A lot of their statements are misleading in the extreme. We fully support Octel in the steps it is taking to present the true facts of the case.

CLEAR claims that other countries, such as the U.S. and Japan, have banned leaded petrol or are phasing it out on health grounds. This is not true. There is no country in the world which has introduced such a ban. In the U.S. as much leaded fuel is sold as unleaded and the reason they introduced lead-free petrol in the first place was nothing to do with health. It was because of smog problems caused by climatic conditions not experienced in the UK.

CLEAR claims that Associated Octel is not a responsible company. Octel has an excellent safety record and has made a major contribution to health and safety within the lead industry.

The company is widely recognised for its high safety standards and that's one of the reasons why it wins contracts all over the world. The TGWU often doesn't see eye to eye with Octel, but on the grounds of health and safety and the company's attitude not only to its employees but also to the general public, the union will always support Octel 100 per cent.

CLEAR claims that there is new evidence linking children's intelligence with lead levels. This is a palpable untruth. Research is still going on to establish the true facts of the matter. But experts have not found a shred of evidence to prove that lead in petrol is poisoning children's brains.

Does Des Wilson think that any of us would work for Octel if the company was poisoning our children? There is no way it could pay us enough to jeopardise our own children's health or anyone else's.

Mr Wilson is not a doctor, a scientific researcher or an expert on the properties of lead. He is, though, a gifted speaker and a man who, by trading on people's emotions, is capable of influencing others.

What would be the result for this country if Mr Wilson was successful in swaying public opinion? The abolition of lead would cost more than £450m every year. Jobs would be lost, cars would be less efficient and all to no effect.

It isn't only Octel which makes these points. Many eminent people support the use of lead in petrol. One person in particular is Dr Barltrop who says: "It is difficult to understand why so much attention has been given to less significant sources such as lead in gasoline, the abolition of which would not alter the incidence of lead poisoning at all." I think it is significant that Dr Barltrop is director of the department of child health at Westminster Children's Hospital, London.

G. Stokes.
29 Archers Way,
Great Sutton,
South Wirral.

Index-linked pensions

From Mr R. Wallace

Sir,—Your correspondent (the chairman of the Ashdown House Branch of the Society of Civil and Public Servants—March 8), comments on "the myths remaining about public sector index-linked pensions."

I have recently been involved in setting up a new company pension scheme. We were unable to get a quotation for full index-linking. This is despite frequent letters in your columns from civil servants proposing that private sector workers could enjoy such benefits if only their employers would pay up. I suggest that the civil servants' "8½ per cent notional deduction" be offered to an insurance company of their choice, together with the Government's (ie. the taxpayers') contributions. We would see then exactly what pension benefits could be obtained.

Further, we are asked to feel sorry for "male civil servants who normally retire at 60" and "are not able to receive a state pension until age 65." Male workers in the private sector who elect to retire at 60 do so on substantially reduced pensions, and they too have to wait until 65 for a state pension.

R. Wallace.
"Fresh Fields,"
259, Greys Road,
Henley on Thames.

UK COMPANY NEWS

Stewart Nairn cuts deficit

PRE-INTEREST losses of the Stewart Nairn Group, the hosiery and knitwear manufacturer, have been halved to £27,153 in the six months to September 30, 1981, compared with £54,402 for the same period of 1980.

Bank interest was reduced from £22,695 to £12,592 *and there* is again no tax, leaving the attributable deficit at £39,745 (£77,097). Stated loss per 5p *share was cut from* 0.83p to 0.43p.

The group has continued to suffer from the adverse economic conditions, but *steps have* been taken to reduce losses. Certain activities are being closed down and parts of the group are being *disposed of.*

Opportunities outside the textile sectors have not been ignored and agreement in principle has been reached for the purchase by the group of certain overseas property interests.

In conjunction with this major acquisition, *it* is intended to seek a relisting on the Stock Exchange of the company's shares.

Martin-Black loss reduced to £0.47m

A REDUCED loss of £470,000, *compared* with £963,000, is reported by Martin Black, the Scottish wire rope manufacturer, for 1981. Last year's loss included two exceptional items amounting to £260,000 while this year there is an exceptional credit of £80,000 in respect of a bad debt provision no longer required.

Excluding these items the group loss, before tax, for the group's continuing operations *comes out at £550,000, compared* with £703,000. After allowing for the results of the Canadian subsidiary up to the date of sale *in* November 1981, taxation, and a net extraordinary gain of £716,000 — reflecting proceeds from the Canadian sale of £822,000, less the cost of redundancies—there is a surplus for the year of £179,000, against a loss of £621,000.

The directors state that the results reflect the unfavourable economic environment in which the group is operating and the year has been one of continuing struggle to maintain markets and reduce costs—the latter leading to a further loss of jobs.

They report that in the face of stiff competition at home and abroad markets have been maintained. However, the price of the group's raw material and major cost—wire rod—"is the subject of a legal EEC cartel with the result that price *increases have been of a size and* rate too great to be absorbed by our customers in the short term." Other group costs have *been contained* below the rate of inflation.

The directors say that indications are that the first half of 1982 will continue to present a difficult trading situation, with increasing competition from foreign manufacturers. However, the first two months of 1982 have seen a modest increase in the level of activity, particularly at home. The flow of funds from the Canadian sale *continues to improve* borrowings and reduce interest charges.

There is again no dividend for the year. The last payment totalled 2p in respect of 1978.

Belgian stake in Airship Industries

THE BELGIAN GOVERNMENT is to reveal plans today for a £400,000 investment in Airship Industries.

The regional government for the French-speaking area of Belgium, *Société Régionale* pour l'Investissment Wallone, is injecting £400,000 into the British airship comapny in return for a 5 per cent stake, and has an option to take up to a 29 per cent holding by mid-May.

If the option is exercised, Airship plans to issue a Class I circular and the shares, currently quoted under Stock Exchange Rule 163(2), would then convert to the Unlisted Securities Market.

The proceeds will help fund full production of the AD 500 and 600 models.

Mr Andrew Miller, managing director of Airships, remains the largest shareholder with a 17.2 per cent stake, but the group claims that over ten leading institutions have taken equity in the past nine months.

However, one of the pioneers, Major Malcolm Wren, *is* to announce that he is selling his 4 per cent interest in order to concentrate *on rigid-structure* airships.

Airships, on the other hand, says that it is unwilling to risk shareholders' money on the development of untried frames and will devote itself to non-rigid models, kept in shape solely by helium.

The shares are to be issued to the Belgian authority at 125p, thus restoring the price at which Airships, then Thermoskyships, was first listed in January, 1980.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Barratt Developments, Chambers and Fargus, J. Jarvis, Link House Publications, Victor Products (Wallsend), Yarrow.

Finals: British Petroleum, W. Canning, *Carlton Industries*, Cement Roadstone, D. M. Lancaster, Memec (Memory and Electronic Components), Metalrax, Transport Development, V.W., Waverley Cameron.

FUTURE DATES

Interims—	
Brooke Bond	Mar 16
Thorpe (F. W.)	Mar 18
Finals—	
BSR	Mar 25
Beatson Clark	Mar 22
Blackwood Hodge	Apr 14
Cartwright (R.)	Mar 31
Clay (Richard)	Mar 24
Clifford's Dairies	Mar 24
Exco International	Mar 16
Fisher (James)	Mar 18
House of Lerose	Mar 18
Rockware	Mar 24
Rotork	Mar 24
Sun Alliance & London Insur.	Apr 7
Williams and James (Engnrs.)	Mar 22

BULLOUGH TO SELL B & B TRAILERS

Arrangements are nearing completion for the sale by **Bullough** of its wholly-owned subsidiary, B and B Trailers, to Alois Kober Gmbh, for some £1.2m.

The deal is subject to the completion of B and B financial accounts for the period ended March 20 1982, with a cash consideration to be calculated by reference to a formula geared to the company's net assets at that date.

The book value of B and B net assets is expected to be some £1.5m, at March 20.

FT Share Information

The following security has been added to the Share Information Service:

Peek Holdings (Section: Industrials).

Merchants Trust at £2.2m

AN INCREASED emphasis on investment overseas, at lower yields than those obtainable in *the UK, has shown through in* little changed net earnings for the Merchants Trust in respect of the year ended January 31 1982.

After-tax profits for the year were £2.3m, against £2.18m last time, while at the pre-tax level there was a reduction from £3.45m to £3.3m.

The year's dividend is a same-again 4.15p net per 25p share after an unchanged final of 2.4p.

Net asset value per share was up from 121.4p to 136.4 fully diluted.

Bath and Portland chairman cautious

THE SEVERE weather that hit the traditional areas of the Bath and Portland Group in the South-West and in Wales has been costly and the first six months' trading may show little or no *improvement over 1981, says Sir* Kenneth Selby, the chairman.

Members are told in his annual statement that "no upturn in the economy can yet be recognised, even over the distant horizon, so we must rely upon our own efforts to create effective opportunities and profits. In these circumstances the extent of improved results in 1982 must be limited."

For the year ended October 31, 1981, pre-tax profits climbed from £1.48m to £2.8m, on lower turnover of £83.53m (£92.79m)—as reported February 18. The dividend total is being raised from 2p to 4.5p per share with a final of 2.5p.

Sir Kenneth says that during 1982 *the minerals division is not* likely to recover to even its 1980 level and agriculture, in a very competitive phosphate market for both fertilisers and feeds, will find it difficult to do more than stand still.

However, modest improvements are forecast in the levels of higher technology served by the group's measurement and control division and in overseas civil engineering. Building products has an attractive order book and turnover and profits will improve during the year.

Meeting, Bath, March 31, noon.

A.-American Securities lifts dividend

EARNINGS attributable to ordinary shareholders of Anglo-American Securities Corporation increased from £2.99m to £3.35m in the year ended January 15, 1982—equal to 5.87p (5.26p) per 25p share. Net assets per share are up by 11.5 per cent from 163.5p to 182.25p.

Gross revenue *showed an* increase from £5.27m to £5.9m and net revenue came through at £3.43m against £3.08m, after tax of £1.97m (£1.72m).

The dividend is increased from 4.75p to 5.1p, with a final of 3.6p.

Lord Wakehurst, the chairman, says in his annual statement that the increase in the dividend is lower than would in normal circumstances have been justified. But, he explains, changes will be *made in the* composition of the company's portfolio including a substantial increase in the proportion of assets invested outside the UK. Although the directors expect long-term benefits to accrue from this policy, to begin with earnings may be reduced.

In recent years investment trusts have been valued by the market largely in relation to asset growth and "we shall gradually shift the emphasis of our investment management *policy from income to capital* appreciation," says the chairman.

Anglo intends to implement the new policies with "reasonable *speed* but in such a way that the effect on earnings available for distribution will not be too severe," says Lord Wakehurst.

He says that shareholders have become accustomed to receiving steadily growing income over the years and it is intended that *this trend should continue after* the new policies have been effected, although at a slower rate. Meanwhile the trust intends to maintain a total dividend of 5.1p by drawing on *reserves if necessary.*

The chairman says that in common with most investment trusts, the ordinary shares of the company continue to trade at a substantial discount to underlying assets. Although in recent months the discount has been reduced, "it would seem that the *portfolio of the company and* similar investment trusts do not fully meet the needs of the markets."

The company has decided that a change should be made from the current generalised investment policies and some specialisation by geographical area and industry is necessary. The overseas content of the portfolio will be further increased and the present intention is to continue *over a period to invest a major* part of the fund in the U.S. and Japan. The UK, however, will continue to have an important place in the portfolio.

The chairman says that attention will also be given to currency movements and to holding fixed interest securities in sterling and foreign currencies. "We believe that the number of investments should be reduced and the trend over the past years to larger holdings will continue," says Lord Wakehurst.

At balance sheet date the company's investments amounted to £63.36m (£51.48m) with a valuation of £111.85m (£96.78m). Investments listed in UK totalled £26.36m (£29.26m), valued at £57.6m (£59m), listed outside UK £30.83 (£17.02m), valued at £41.1m (£29.04m).

The annual report shows that the company's 25 largest UK holdings had a value of £38.85m and represented 34.77 per cent of total assets, while the 25 largest overseas holdings had a value of £23.67m—equal to 21.19 per cent of total assets.

Meeting 23, Great Winchester Street, EC, April 7 at 2.45 pm.

SPAIN

1981-82 High	Low		Mar 12 Price %
348	259	Banco Bilbao	348
360	280	Banco Central	352
320	229	Banco Exterior	302
330	239	Banco Hispano	323
128	110	Banco Ind. Cat.	110
383	284	Banco Santander	356
235	148	Banco Urquijo	221
382	253	Banco Vizcaya	368
252	203	Banco Zaragoza	245
175	82	Dragados	156
75	45	Espanola Zinc	61
72	55	Fecsa	59.2
58	22	Gal. Preciados	41.5
82.7	62.2	Hidrola	63.5
62.5	50	Iberduero	51.5
102.5	70	Petroleos	93
104	70	Petroliber	98
102	13	Sogefisa	13
80	60	Telefonica	72.5
76.2	60	Union Elect.	63

LOCAL AUTHORITY BOND TABLE

Authority (*telephone number in parentheses*)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Knowsley (051-548 6555)	14	½-year	1,000	4-8

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
APV	Mar 30	Final 6.2
*Armstrong Equipment	Mar 24	Int. 0.55
BBA	Mar 26	Final 0.9
*BICC	Mar 24	Final 6.4
*BSR	Mar 25	Final nil
*Babcock Intl	Mar 31	Final 3.6
Bank of Scotland	Apr 14	Final 8.5
*Barratt Devpmts	Mar 15	Int. 3.5
Barrow Hepburn	Apr 15	Final 1.4
*Bejam	Mar 18	Int. 1.25
*Bell (A.)	Mar 23	Int. 2.332
*Bestobell	Mar 24	Final 7.1
*Brent Chems	Mar 23	Final 2.25
*Bibby (J.)	Mar 16	Final 4.925
*Boddingtons Breweries	Mar 16	Final 1.6
Booker *McConnell*	*Mar 31*	*Final 1.875*
Bowater	Apr 9	Final 7.25
British Aerospace	Apr 21	Final 4.81
*British Petroleum	Mar 15	Final 14.0
*Brooke Bond	Mar 16	Int. 1.25
Brown Boveri Kent	Apr 10	Final 1.2
*Bunzl Pulp and Paper	Mar 31	Final 3.02
Burmah Oil	Apr 15	Final 5.0
*Cape Inds	Mar 30	Final 7.3
*Cement Roadstone	Mar 15	Final 3.23
Croda Intl	Apr 14	Final 2.251
Currys	Apr 21	Final 7.5
*DRG	Mar 24	Final 3.0
Delta	Apr 22	Final 1.82
*Ductile Steels	Mar 16	Int. nil
Dunlop	Apr 23	Final 1.35
Eagle Star	Mar 25	Final 5.5
*Exco Intl	Mar 16	Final 2.51
Expanded Metal	Apr 14	Final 2.5
Fairclough Constr	Mar 17	Final 2.85
Flight Refuelling	Apr 23	Final 1.6
GRE	Apr 1	Final 9.5
Gill and Duffus	Apr 8	Final 4.81
Glaxo	Apr 13	Int 3.75
Glynwed	Apri 8	Final 4.9
*Guest Keen	Mar 18	Final 4.0
*Guinness Peat	Mar 16	Int 2.75
Hambro Life	Apr 14	Final 6.6
Harris Queensway	Apr 22	Final 4.0
Hawker Siddeley	Apr 16	Final 5.2
*Hepworth *Ceramic*	*Mar 24*	*Final 4.286*
*Higgs and Hill	Apr 8	Final 2.8
*Ibstock Johnsen	Apr 2	Final 3.0
*Jacobs (John I.)	Mar 17	Final 1.6
*Kleinwort Benson	Mar 30	Final 6.0
LWT	*Apr 2*	*Final 4.085*
Ladbroke	Apr 2	Final 6.96
Laporte Inds	Apr 23	Final 3.5
*LASMO	Mar 23	Final 38.88
Lead Inds	Apr 9	Final 5.96
Legal and General	Apr 1	Final 6.0
*Lex Service	Mar 17	Final 4.2
London Brick	Apr 8	Final 2.882
*Low & Bonar	Mar 29	Final 9.5
*Lucas Inds	Mar 25	*Int. 2.6*
Menzies (John)	Apr 22	Final 5.0
*Midland Bank	Mar 19	*Final 14.0*
Mills and *Allen Intl*	*Mar 20*	*Int. 5.0*
Morgan Crucible	Apr 9	Final 3.0
News Intl	Mar 25	Int. 2.8365
NEI	Apr 14	Final 2.5
Ocean Transport	Mar 30	Final 4.7
Peachey Prop	Mar 31	Final 1.5
Pearl Assurance	Apr 15	Final 13.0
Phoenix Asce	Apr 1	Final 8.4
*Prudential	Mar 24	Final 7.0
Reckitt and Colman	Apr 1	Final 5.0
Reed (A.)	Apr 2	Final 2.45
*Rio Tinto-Zinc	Apr 15	Final 10.5
*Rockware	Mar 25	Final 2.1
Ruberoid	Apr 9	Final 2.65
*Rugby Prtlnd Cement	Apr 5	Final 2.6
*Scottish Metropolitan	Apr 6	Int. 1.25
*Sedgwick	Mar 18	Final 3.0
Senior Eng	Apr 8	Final 0.79
*Slough Ests	Mar 25	Final 1.65
Smith and Nephew	Mar 24	Final 2.6
Smiths Inds	Apr 14	Int. 3.7
Smith (W.H.)	Apr 21	*Final 3.2*
Standard and Chartered	Apr 7	Final 20.5
*Steetley	Mar 18	Final 6.6
*Sun Alliance	Apr 7	Final 18.0
Taylor Woodrow	Apr 9	Final 10.167
*Tilling (T.)	Mar 17	Final 4.9
Tozer Kemsley	*Apr 21*	*Final 0.795*
Travis and Arnold	Apr 23	Final 3.3
*Transprt Dev	Mar 15	Final 2.8
Tricentrol	Mar 19	Final 5.8
*Turner and Newall	Mar 17	Final 3.0
*Vickers	Mar 24	Final 7.45
Weir	Apr 1	Final nil
*Willis Faber	Mar 23	Final 8.2
*Wolseley Hughes	*Mar 16*	*Int. 4.4*
Yorkshire Chems	Apr 8	Final nil

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Public Works Loan Board rates

Effective March 13

Years	Quota loans repaid by EIP†	Quota loans A‡	Quota loans at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* A‡	Non-quota loans A* at maturity§
Up to 5	13¼	13⅝	14¼	14⅛	14½	14⅝
Over 5, up to 6	13⅞	14	14⅜	14¾	14⅞	15
Over 6, up to 7	14	14⅛	14⅜	14⅞	14⅞	15
Over 7, up to 8	14⅛	14¼	14¼	14⅜	14⅞	15
Over 8, up to 9	14¼	14⅜	14¼	14⅜	14⅞	15
Over 9, up to 10	14¼	14⅜	14⅛	14⅜	14⅞	15
Over 10, up to 15	14¼	14¼	13⅞	14⅛	15	14⅞
Over 15, up to 25	14	13⅞	13⅝	14⅞	14⅜	14⅝
Over 25	13⅞	13¾	13⅝	14⅜	14⅝	14⅜

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

حكمة اسنة الأصول

INTERNATIONAL CAPITAL MARKETS

CREDITS

Mexico stays with short-term borrowing

MEXICO's State development bank, Nacional Financiera, is to be the country's next borrower to tap the syndicated credit market after the recent $2bn credit for the oil company Pemex.

Expected to emerge this week is a credit of about $1bn with a maturity of up to three years. Banks will be offered a margin of ⅞ per cent for participating for the full three years, ¾ per cent for two years and ⅝ per cent for one year. Margins over U.S. prime rate will be ⅛ per cent less in every case.

The structure underlines the continuing use of shorter term borrowing by Mexico which is confronted by some resistance in the Euromarket to its huge borrowing programme. The Pemex credit was a four year renewable deal bearing a margin of ⅞ per cent over Libor or ⅞ over Prime rate.

Elsewhere, news that Indonesia is floating a second ten-year loan with a margin of only ⅝ per cent over London Eurodollar rates has come as something of a shock to borrowers in Europe who can no longer command such fine terms.

Borrowers and, indeed, some bankers had begun to hope that 1982 would see some relaxation of the fiercely competitive conditions in the Far Eastern banking market. This would allow borrowers in Europe to float loans on market terms without the acute embarrassment of being forced to concede higher margins than Indonesia.

But, with the possible exceptions of Korea and the Philippines, competition for new business in Asia is holding up relentlessly.

One corporate credit that is emerging on what are thought to be very fine terms is a $450m credit for Shell Brazil, which is guaranteed by the parent company. It is being led by Am Ro, Dai Ichi Kangyo, Lloyds Bank International and Continental Illinois.

Elsewhere the Citicorp package for Denmark has proved very successful with the prime rate tranche raising at least $700m, the Libor tranche $300m and the floating rate note $100m. This gives the package a total value of at least $1.1bn, which is $300m more than originally targeted.

Peter Montagnon

UK BUDGET

A taxing question for the Euro-market

HIDDEN AWAY in the Chancellor's Budget speech last Tuesday was a short sentence that has caused more than a little consternation in the world of international banking.

Sir Geoffrey Howe announced legislation this year to curb excessive exploitation of the double taxation relief system by banks engaged in overseas lending. For new business the legislation would come into effect in April and for interest arising out of existing loans the double tax relief curbs would apply from April next year.

Depending on how the legislation is finally formulated the City of London could suffer a quite serious loss of international business to other centres, particularly New York, some bankers believe. Moreover it could produce renewed diplomatic problems with Malaysia which has been one of the main beneficiaries of cheap loans under the so-called tax spared system.

The use of credits against withholding tax paid abroad allows banks to make loans at lower margins than would otherwise be the case at the expense of their liability for corporation tax, the Inland Revenue argues.

One consequence can be that the tax credit a bank receives may be in excess of the tax attributable to profits from overseas lending.

Tax-spared loans take this process much further as, under double taxation agreements (with countries such as Malaysia and very recently India), a UK tax credit is available although the foreign government has waived its right to levy withholding tax.

The Revenue has told banks it estimates its loss of tax income from these procedures at some £80m a year. Now it wants to make sure that the tax credit in Britain is only available on that part of the interest on a foreign loan which actually constitutes the bank's margin between its lending rate and its cost of funds.

Despite the Budget announcement no one yet seems exactly sure of how the change will be implemented. Some bankers believe that the announcement was slipped into the Budget against the wishes of the Inland Revenue itself. Most doubt that the Foreign Office and Department of Trade are fully aware of the implications of the change for Britain's diplomatic and trade relations with countries in Latin America and Asia that use the withholding tax system.

For the upshot could be that borrowers in some of these countries will find themselves paying more interest on existing loans as banks are forced to pass on the extra tax cost to them once the legislation becomes effective.

A typical tax-spared loan to Malaysia by British banks now carries a margin of only ⅛ over London Eurocurrency rates. As the tax credit ceases to be available, banks are, however, entitled to ratchet up the margin in return, which could prove very upsetting to borrowers who end up paying more interest than they bargained for.

A worrying aspect of the proposals could also be the departure of business to other centres, particularly New York. This would reduce the importance of London as a financial centre as well as the Revenue's chance of collecting extra taxation from international banking business.

This would be a pity, they say, at a time when New York has begun to challenge London as a Euromarket centre through the introduction of offshore banking facilities.

The Revenue is understood to have proposed three basic alternatives for the change in legislation. The first involves a limit to the tax credit on a loan-by-loan basis, the second on a country basis, and the third on a global basis covering all overseas lending.

Only the third alternative would be at all acceptable, bankers say, as it is the only one that would not leave London at a serious competitive disadvantage to New York.

Bankers generally say they accept that some change will have to be made in the existing regulations, which have sometimes been abused, particularly in the case of tax-spared loans.

But they will be trying to drive a very hard bargain at consultative meetings planned to take place with the Inland Rvenue. The essence of their message will be to underline the folly of letting the baby out with the bath water.

Peter Montagnon

INTERNATIONAL BONDS

Early promise unfulfilled

"I HAVE to admit it. I got it wrong. I didn't expect rates to be this high."

These self-deprecatory words come from one of the Eurodollar bond market's most experienced traders and reflect the disappointment of some in the market that last week's early promise was not fulfilled.

The week was to have been one of continued rally and Eurobond participants came to work raring for action. But the rally fizzled out early in the week and the six-month Eurodollar deposit rate closed last week one point higher at 15 per cent.

Unlike the Euro D-Mark and Swiss franc foreign bond markets, where optimism on interest rates led to week-on-week bond price rises, the Eurodollar sector saw prices of fixed-interest issues down by ½ to one point by Friday.

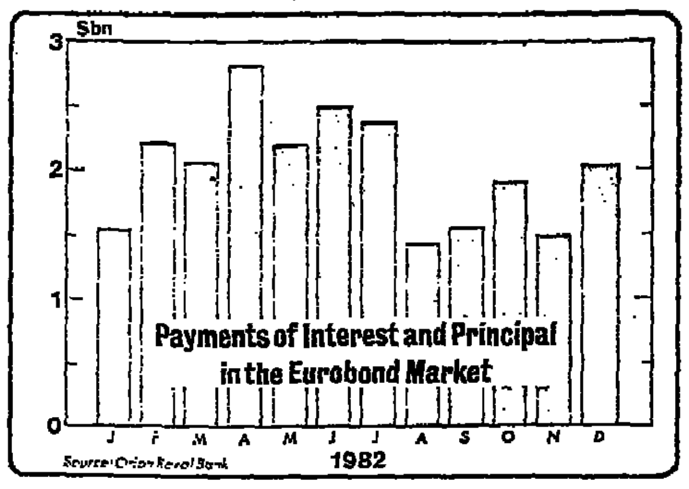
In tandem with the New York bond market, the Eurodollar sector became increasingly uncertain as the week progressed. Its lack of buoyancy was not helped by the appearance of some lower quality paper.

Among the less successful new issues last week was the $60m five-year offer for Reynolds Metal through Orion, Dean Witter and Goldman Sachs, despite a 16½ per cent coupon and a discounted price of 99½ (to yield 16.65 per cent). The name is not well known in Europe and some in the market were concerned about the state of the metals business.

The issue was launched a week ago today, but the selling period had already ended by Thursday and managers are reported to have been left with a sizeable portion of Reynolds paper unsold. By Friday, the bonds were trading at a discount of two per cent or more.

The Reynolds paper may yet draw retail investors with its coupon, but its Triple B-Single A rating and its lack of popularity in a name-conscious market could pose problems, given the current market.

Despite last week's nervous background, traders reported a fair amount of buying demand in the secondary market. A longer term optimism about the path of dollar interest rates was said to be bringing new funds into the Eurodollar sector as money was switched from short-term holdings into fixed interest bonds. This trend, if sustained, would be very encouraging for the market.



There is also the recurring factor of bond redemptions and interest payments which are reinvested. This is what Orion Royal Bank, in a new study of fund reflows into the Eurobond market, is calling the "old money" factor. The study shows that for 1982 a total of $24.1bn of interest and principal repayments should come due and be available for "reflow" into the market.

What Orion does not answer is the matter of how much of the reflow is actually reinvested. Nonetheless, months such as April (see chart) look rather interesting for new issue managers.

Today's primary market, meanwhile, is seeing some of the more unusual deals of this year. The market's most talked-about issue slightly underperformed expectations late last week—AT & T's 14½ per cent paper traded in the 98½ to 99 range after earlier hopes that it would hold at a more impressive 99½-plus in the aftermarket.

The Kingdom of Spain's 15⅝ per cent debut issue exceeded initial expectations, however, improving from its soggy reception to sell rather better late last week.

Europe's bond markets are seeing some welcome innovation in the Japanese convertible sector. Given a delicate Tokyo equity market and an even more delicate convertible bond market, Japanese borrowers in the Eurodollar and Swiss franc sector offered proof last week that they have learned the lessons of last autumn.

Kajima Corporation is in the market to raise $30m with 15-year paper led by Morgan Stanley and Daiwa. The paper carries a 5½ per cent indicated coupon plus a genuinely constructive sweetener. A "put option" enables the bondholder to redeem at the end of the third year at 118.75 per cent. Not only does this provide protection for the investor, but it means that at, say, a purchase price of 99, the effective yield to three-year redemption is a healthy 11½ per cent.

This "put" technique, being used in Switzerland, is a welcome method of protection. One convertibles expert described it as "an interesting degree of realism" and hoped all new convertible issues would be equipped with put options.

Alan Friedman

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
A. T. & T.‡	400	1989	7	14½	100	CSFB	14.250
Transcanada Pipelines‡	100	1992	8.8	16	100	UBS Secs. Salomon Bros.	14.250
Philippine Devt. Bank†‡	30	1990	7.3	6½Φ	100	Lloyds Bank Intl., Fuji Intl. Fin.	6.500Φ
Spain	100	1987	5	*	*	CSFB	*
Reynolds Metal‡	60	1987	5	16½	99½	Orion Royal, Dean Witter Reynolds, Goldman Sachs	16.655
Pennzoil‡	75	1990	8	15½	99½	Merrill Lynch	15.360
Ireland†‡	100	1989	7	5½Φ	100	Sumitomo Fin. Intl., Paribas, Nat. Bank of Abu Dhabi	5.500Φ
Gulf Canada‡	100	1992	10	14¾	100	Morgan Grenfell	14.750
Wells Fargo‡	75	1987	5	15	100	Morgan Stanley	15.000
Kajima Corp.§	30	1997	15	*	100	Morgan Stanley, Daiwa Secs.	*
Erste Oest. Spar-Casse†‡	30	1992	10	5¼Φ	100	Orion Royal Bank	5.250Φ
ECSC‡	50	1987	5	14¾	99⅝	European Banking Co.	14.860
Credit Lyonnais†‡	250	1997	15	5¼Φ	100	CSFB, Credit Lyonnais	5.250Φ
Fluor Corp.‡	50	1984 Sept.	2½	13¼	99¾	Morgan Guaranty	13.272
D-MARKS							
Ferrovie‡	150	1987	5	10½	99¼	Commerzbank	10.700
Gaz de France‡	100	1992	10	9⅝	100	West LB	9.625
Sweden‡	125	1992	10	9¾	100	Deutsche Bank	9.750
Sweden‡	75	1988	6	9¾	100	Deutsche Bank	9.750
SWISS FRANCS							
Swed. Export Credit‡	55	1992	—	7¾	100¼	Soditic, Chase Man. Bank (Suisse), Morgan Stanley SA	7.680
Occidental Petroleum‡	100	1992	—	7¾	100	SBC	7.750
Sumitomo Realty**§‡	40	1987	—	6¾	100	CS	6.750
Philip Morris‡	100	1992	—	6⅝	100	UBS	6.625
Daicel Chemical**§	30	1987½	—	*	100	UBS	*
Daiwa House Ind.**§‡	40	1987½	—	6¾	100	UBS	6.750
Fletcher Challenge**‡	75	1988	—	7⅜	100	UBS	7.375
ESCOM**‡	30	1985	—	8¼	100	UBS	8.250
Misawa Homes**§‡	40	1987	—	6¾	100	CS	6.750
STERLING							
Soc. de Developpement Rgl.	30	1992	5¼	*	*	SG Warburg	*
YEN							
Japan Devt. Bank‡	12.5bn	1987	5	8	100	Nomura Secs., Morgan Guaranty	8.000
TVO (Finland)**‡	10bn	1994	10.32	8.6	99.85	Yamaichi Secs.	8.806

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Doubts over economy and money supply cut into recovery

THE U.S. bond market rally ran out of steam last week. And it could have trouble raising it again after the sharp $3.4bn increase in the money supply announced on Friday night.

Bond prices were down about three points from their high points of the week and short-term interest rates were up about a half of 1 per cent. Some of the weakness had to do with worries about the money supply, which turned out to be well founded, and analysts expect seasonal pressures to keep M1, the main measure, up for a while. In turn, this may force the Federal Reserve to keep a firm hand on the tiller. M1 is still running above target.

The market found it hard to maintain its momentum when the Fed funds rate hung stubbornly in the 14.5 per cent area and the Fed itself showed little inclination to bring it down. With such high funding costs traders had trouble financing positions in the long Treasury bond market where yields are in the 13 to 14 per cent range. Since Wall Street had stocked up heavily on bonds in the rally the market was vulnerable to a sell-off.

Upward pressure on the Fed funds rate was a reflection partly of concern about the money supply. But short-term borrowing continues at a surprisingly strong level and bank loans were up again last week. But this is not a sign of incipient economic recovery so much as of the distress of cash-starved companies.

The retreat wiped out about a third of the recent rally. The long Treasury bond, which traded as low as 96 in the bear market last month, gained about 10 per cent in value to 105 at the height of the rally and closed last week around 102.

Although the collapse of the stock market reflects deep gloom about the economic outlook, some people in the bond market claim to detect a glimmer at the end of the tunnel. But this was bad news because it suggests that credit demand could pick up again. Retail sales were surprisingly strong in February and the excellent inflation figures show that cost pressures must be easing. The economic picture could get a little clearer tomorrow when the latest figures on industrial production and home building are released.

The recent decline in long-term interest rates has also unloosed the expected avalanche of new borrowing. IBM, Xerox, Corning Glass Works, Occidental Petroleum, General Foods and Household Finance were among the big corporate names who came to market. IBM and Xerox both issued 12-year variable rate notes callable every three years and underwriters Salomon Brothers claimed this flexibility gave them an extra appeal which saved a few basis points in cost.

Borrowers on the calendar include Amax and Sears Roebuck, both of whom plan original issue discount bonds, American Express Credit, Allied Stores, Citicorp and Armco, the big steel company. The Treasury is also due to sell heavy issues of one- and two-year notes this week on top of its regular Treasury Bill auctions.

David Lascelles

U.S. INTEREST RATES (%)

	Week to Mar 12	Week to Mar 5
Fed. funds wkly. av.	14.42	14.65
3-month Treas. bills	12.84	11.90
3-month CD	14.00	13.90
30-year Treas. bonds	13.65	13.24
AAA Util.	15.88	15.53
AA Industrial	15.38	15.00

Source: Salomon Brothers (estimates). In the week to March 3 M1 rose $3.4bn to $448.3bn. The monthly measure, M2, averaged $1,846bn in February, up from $1,840bn.

Mixed reception for new U.S. securities rule

BY OUR NEW YORK CORRESPONDENT

A CONTROVERSIAL new SEC rule comes into effect this week which professionals on Wall Street say could have an impact on both the U.S. capital markets and the Euromarket. Called Rule 415, it relieves most issuers of securities of the costly and time consuming need to register separately with the SEC every time they come to market. Instead, they can make a "shelf registration" which is good for several issues over two years.

This means borrowers will be able to dart into the market at a moment's notice to take advantage of favourable trends —which can be few and far between in these volatile times. But it also means that borrowers need not go to the trouble and expense of hiring an underwriting team. Instead they can sell the securities directly to whichever investment firm is willing to take them.

But the rule has caused a rumpus on Wall Street. Recognising this, the SEC has instituted it for a trial period of only nine months, and limited it to about 2,000 of the most traded corporations in the U.S.

Opponents are mostly the old line corporate finance houses, like Morgan Stanley, who claim it will disrupt the financial market and sharpen risk.

By contrast, the rule has been welcomed by the retail investment houses who have good distribution systems, and will be able to buy up complete deals and funnel them straight through to retail customers.

But while Rule 415 could unsettle the markets until they get used to it, it may also drain some business from the Euromarkets whose freedom from SEC regulation has been a big plus. In its latest monthly survey, Morgan Guaranty, the large New York bank, says that the SEC's accelerated procedures are "cutting down the speed advantage of issuers in the Eurobond market . . . This could work in favour of U.S. issues in the future."

TransCanada cash for Dome

DOME PETROLEUM, the largest gas producer in Canada following its takeover of Hudson's Bay Oil and Gas, will be a major beneficiary from TransCanada Pipelines' plan to make special cash payments this year to gas producers in exchange for suspension of its take-or-pay obligations under existing contracts, Robert Gibbens reports from Montreal.

Analysts expect that Dome would get about C$200m (US$165m) of the total C$1.3bn TransCanada expects to pay out this year. Two other large producers, Shell Canada and Gulf Canada, would get around $100m each.

The move by TransCanada will put more pressure on the National Energy Board to authorise more exports.

N. American demand helps RVI

RENAULT VEHICULES Industriels (RVI) the truck manufacturing unit of the State-controlled Renault motor vehicle group, announced that its export sales rose by 23.3 per cent last year to FFr 4.9bn (US$803m).

It attributed the strong gain in exports—40 per cent of the subsidiary's total 1981 sales—to a sharp increase in demand in North America, where it has a marketing agreement with Mack Trucks.

Deliveries to North America soared by 52 per cent last year to 3,798 trucks, while deliveries to Latin America, Asia and Pacific regions rose 54 per cent to 1,161 vehicles.

Deliveries to Africa, traditionally RVI's strongest export market, rose 15.4 per cent to 6,109 units. However, the company reported that export deliveries to other European countries fell 23 per cent to 4,240 trucks.

Last week, Renault said that RVI stands to lose about FFr 400m in 1982 because of the Arab boycott imposed at the end of last year. The division is likely to post a FFr 100m loss for 1981. AP-DJ

Citicorp modifies strategy in Europe

BY DAVID LASCELLES IN NEW YORK

CITICORP, New York's largest banking group, suffered a loss on its European business last year and ran down its assets there. This marked a reversal of the banks' previous record of profitability and steady asset growth. Citicorp said it was due to funding problems and a shift in business strategy.

According to the bank's annual report released last week, total revenue in Europe was $540m, down from $629m in 1980 and $695m the year before that. The bank made a loss before tax and securities transactions of $27m, compared to a profit of $24m and $140m in 1980 and 1979 respectively. Operating results showed a loss of $3m, compared to profits of $38m and $29m in the two previous years.

Citicorp said the losses occurred mainly in the first half of the year and were a continuation of the funding problems it had in 1980. That year, Citicorp misread the course of interest rates and found itself having to fund low-yielding loans with expensive short term money.

Measures have been taken to correct the problem it said, and exposure of this sort is now insignificant. Profits were also affected by the narrow spread on foreign loans, the poor economic climate, and foreign currency translation.

Citicorp's assets in Europe declined last year from $31.4bn to $29m, the first time they have shown a fall for at east six years. The bank said this reflected a shift away from lending towards fee and commission business, like trade finance and letters of credit, which do not appear on the balance-sheet.

In most other parts of the world, though, Citicorp's revenue earnings and assets increased, with Brazil accounting for the largest single share, about 4 per cent of total foreign assets. But overall, Citicorp continued its retreat into the home market, where it has set its long-term goals. North America accounted for 46 per cent of income, compared with as little as 21 per cent at the height of the bank's foreign expansion in 1977.

Safeway sees foreign growth

BY OUR FINANCIAL STAFF

MEXICO and the Middle East have been chosen as prime areas for the expansion of its foreign operations by Safeway Stores, the California-based supermarket group which holds the leading place in the U.S. industry. In 1981, Safeway suffered a 4 per cent fall in earnings to $114.6m despite a 9.8 per cent gain in sales.

Foreign operations — in Germany, Canada, the UK and Australia — contributed "a greater percentage" of earnings in 1981.

INTERNATIONAL APPOINTMENTS

Senior posts at Allegheny International

● Mr Christopher Lewinton, an executive vice-president of Allegheny International Inc. has been appointed chairman of the INTERNATIONAL GROUP OF ALLEGHENY. This comprises Wilkinson Sword Group and Sunbeam International businesses outside the U.S. and Canada. Mr Anthony D. Shanagher has been appointed senior staff vice-president — international finance of Allegheny International. He is also group finance director and chief staff officer of Wilkinson Sword Group, London.

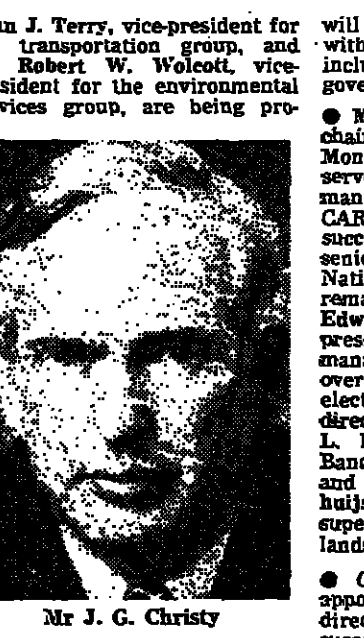
● Dr Franz Liebenfrost, chairman Semperit (AG) has succeeded Dr Ernst Meyer as chairman of SEMPERIT (IRELAND), Dublin. Mr Michael J. Wilcock becomes managing director on April 5. Mr Franz Solarik, managing director of Semperit (Ireland) since its formation in 1967, will return to the company's headquarters to a new management post. Mr Sean McHale has been elected to the board.

● TRICENTROL OILS has appointed Mr Donald E. Foulkes as vice-president and division manager, Canadian and Northern U.S. operations, based at the Calgary office. He was previously executive vice-president of Teknika Resource Development.

● Mr E. F. Herbert has been appointed an assistant general manager of CSR, Sydney, from April 1. He will succeed Mr A. J. Oliver as chief financial officer when Mr Oliver reaches retiring age in November.

● Mr Howard R. Truss has joined THE WESTERN UNION TELEGRAPH COMPANY, the principal subsidiary of Western Union Corporation, as vice-president — commercial communications systems.

● IU INTERNATIONAL, Philadelphia, states that Mr John Gilray Christy will become chairman in addition to president and chief executive officer following the May 5 annual meeting. Mr John M. Seabrook, the present chairman for 13 years, plans to retire at that time. He will remain a director, and will become chairman of the executive committee of the board. A number of other executive changes will be made. Mr John Jackson, currently chairman of the executive committee, will become vice-chairman and remain a director. Mr John J. Terry, vice-president for the transportation group, and Mr Robert W. Wolcott, vice-president for the environmental services group, are being promoted to executive vice-presidents. Mr John W. A. Buyers, the president of C. Brewer, the wholly-owned agribusiness subsidiary of IU, will succeed Mr Jackson as chairman of Brewer. Mr Robert F. Calman, vice-chairman and chief financial officer, will continue in his present post with increased responsibilities, including corporate affairs and government affairs.



Mr J. G. Christy

● Mr Stanley M. Davison, vice-chairman of the Bank of Montreal, has been elected to serve a one-year term as chairman of the board of MASTERCARD INTERNATIONAL. He succeeds Mr John F. Curran, senior vice-president, First National Bank in Dallas, who remains a board member. Mr Edward D. Miller, senior vice-president and deputy general manager of Manufacturers Hanover Trust Company, has been elected vice-chairman. Two new directors were named: Mr Juan L. Elek, deputy president of Banco Nacional de Mexico, SA, and Mr Willem E. Scherpenhuijsen Rom, chairman of the supervisory board of Nederlandsche Middenstandsbank NV.

● GOULD INC., Chicago, has appointed Mr Matt Lawson as director of investor relations. He succeeds Mr John W. Gannon, who has been named manager, applications business for Gould's SEL computer systems division in Fort Lauderdale, Florida. Mr Lawson joins Gould from Computer Sciences Corporation in El Segundo, California, where he was director of corporate communications. During the 1980 general election campaign, he was granted a leave of absence from his company to serve as a deputy press secretary to President Reagan.

● SCANDINAVIAN BANK GROUP has appointed Mr Kristen Holst as its senior regional representative for Asia-Pacific and as managing director of Scandinavian Far East, in Hong Kong. Mr Holst previously worked for the Irving Trust Company and the Bank of California before managing the operations of a Danish bank in the U.S.

● Mr Sheldon Harrison, Mr Deno D. Papageorge and Mr Gregory W. Spurr, Jr, have been elected senior executive vice presidents at THE BANK OF NEW YORK, and Mr Newton P. S. Merrill has been elected an executive vice president. Mr Harrison is the bank's chief operations officer, overseeing its mutual funds, corporate trust and computer services, as wel las banking and trust operations. Mr Papageorge is the comptroller and chief financial officer of the bank; Mr Spurr is chief credit and commercial banking officer in charge of all the bank's lending; and Mr Merrill has been appointed head of the regional banking sector.

● LLOYD'S REGISTER OF SHIPPING has divided its Northern Orient Region into two administration areas: Japan and Central Orient (China, Hong Kong, Korea and the Philippines). Mr H. MacNeill, formerly principal surveyor for the Northern Orient, has been appointed senior principal surveyor for Japan. Mr G. S. McIntosh, principal surveyor for marine services, has been made principal ship surveyor for Japan. Mr D. J. Morris, principal surveyor, special duties, has been transferred from headquarters to Tokyo as principal surveyor, technical services division. He succeeds Mr J. H. Yates, who has been repatriated to the UK after 10 years in the Northern Orient. Mr H. McLean, who will continue to be responsible for China, Hong Kong, Korea and the Philippines, has been designated senior principal surveyor for the Central Orient. Mr J. I. Mathewson, chief representative and senior principal surveyor for the Northern Orient, has been repatriated to the UK where he will assume responsibilities as regional manager for the West Midlands and Northern Ireland. He will succeed Mr A. Jameson, who is retiring at the end of March.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16½ 88	100	103⅛	103⅞	−0⅛	−0⅛	15.52
APS Fin. Co. 17¾ 86 ...	60	105⅜	105⅞	−0¼	−0⅜	15.38
APS Fin. Co. 16¾ 89 ...	75	103½	104	−0⅛	+1	15.30
APS Int. Fin. 16 89 ...	25	†97½	98	−0¼	−0½	16.55
Armco O/S Fin. 15½ 86	50	99⅜	99⅞	−0⅛	−0⅜	15.42
Baker Int. Fin. 0.0 92...	225	†24¼	24¾	−0½	−1	14.43
Bank Montreal 16⅛ 91	150	103⅛	103⅝	−0⅛	−0⅛	15.61
Br. Colum Hyd. 16⅛ 88	100	103¼	103¾	−0⅛	−0½	15.31
Br. Colum. Mis. 17 97	54	103⅜	103⅞	−0¼	−0⅜	16.29
Can. Nat. Rail 14⅝ 91	100	97	97½	−0¼	+0⅛	15.14
Carolina Power 16½ 89	60	101⅞	102⅜	−0⅛	−0⅛	15.96
Caterpillar Fin. 16½ 86	100	103¼	103⅞	−0½	−0⅛	15.27
CFMP 16⅜ 96	100	101⅜	101⅞	−0⅛	−0⅜	16.40
CIBC 16⅛ 91	100	104⅜	105⅛	−0⅜	−0⅛	15.67
Citicorp O/S 16⅛ 86...	150	103½	104	−0⅛	−0⅛	15.46
Cons.-Bathurst 17½ 88	60	102¼	102¾	−0⅛	−0⅜	16.77
Dupont O/S 14½ 88 ...	400	98⅞	99⅜	−0½	−0½	14.67
Dupont O/S Cap. 0.0 90	300	34½	35	−0⅛	−0½	14.27
EIB 16⅜ 91	100	104½	105⅛	−0⅛	+0⅛	15.65
Gen. Elec. Credit 0.0 92	400	27⅜	27⅞	−0⅜	−1½	13.61
Gen. Elec. Credit 0.0 93	400	24⅞	25⅜	−0½	−1⅛	12.91
GMAC O/S Fin. 16½ 84	300	101½	102	−0⅛	−0⅛	15.51
GMAC O/S Fin. 16 88	150	99⅞	100⅜	−0⅛	+0⅛	15.94
GMAC Fn. 0.0 92 (Oct)	400	†25⅜	25⅞	−0⅛	−0½	13.47
Gulf Oil Fin. 0.0 92 ...	300	25⅜	26⅛	−0⅛	−1⅛	14.04
Gulf States O/S 17½ 88	60	103⅞	104⅜	−0⅛	−1	16.34
Japan Airlines 15⅛ 88	50	100⅜	100⅞	−0⅛	0	15.04
Japan Airlines 7⅞ 87 ...	37	†97½	98	−0⅛	−3	8.45
Japan Dev. Bk. 15½ 87	50	101⅜	101⅞	0	−0⅛	14.99
Nat. Bk. Canada 16½ 88	40	100⅜	101⅛	−0⅛	−0½	16.95
Nat. West 14½ 91	100	98⅞	99⅜	−0⅛	+0⅛	14.89
New Brunswick 17 88	60	106⅜	107⅛	−0⅛	0	15.17
New Brunswick 16¼ 89	75	102⅜	102⅞	−0¼	−0⅛	15.60
New & Lab. Hy. 17¼ 89	75	103⅞	104⅛	−0⅜	−0⅛	16.27
Ohio Edison Fin. 17½ 88	75	105½	106	−0⅛	−0½	15.85
OKG 15⅜ 97	50	98⅛	98⅝	0	−0⅛	16.00
Ontario Hyd. 16 91 (N)	200	103⅜	104½	−0⅜	−0⅛	15.16
Pac. Gas & El. 15½ 89	80	103⅛	103⅞	−0½	+1⅛	14.84
J. C. Penney Gl. 0.0 94	350	20	20½	−0⅜	−0⅛	11.26
Quebec Hydro 17⅛ 91	150	107½	108	−0⅛	−0⅜	15.58
Quebec Prov. 15⅛ 89...	150	98⅛	98⅝	0	+0⅛	15.55
R.J. Rynlds. O/S 0.0 92	400	26	26½	−0⅛	−0⅛	14.02
Saskatchewan 16⅛ 88	100	102⅝	103⅛	0	+0⅜	15.47
Statsforetag 15⅜ 87 ...	50	98⅜	99⅛	−0⅜	−1	16.05
Sweden 14½ 88	150	95⅛	95⅝	−0⅛	−0⅛	15.57
Swed. Ex. Cred. 16½ 93	75	101⅛	101⅝	0	−0⅜	16.18
Texas Eastern 15⅞ 88	75	100⅛	100⅜	−0⅛	+0⅛	15.70
Transcanada 16 89 ...	100	99⅜	100⅛	0	+0⅜	15.97
Winnipeg 17 86	50	105½	105⅞	−0⅛	−0⅜	15.12
WMC Fin. 15½ 88	50	96½	97	−0⅛	−0⅛	16.27
World Bank 16½ 86 ...	130	104⅜	104⅞	−0⅛	0	14.94
World Bank 16½ 88 ...	100	104⅛	104⅝	−0⅛	−0⅛	15.29

Average price changes... On day −0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 9¾ 91	300	99⅜	99⅞	0	+0⅛	9.40
Belgelectric 11 91	100	101½	102	−0⅛	+0⅛	10.68
CECA 10 91	120	101½	102⅛	−0⅜	+0⅛	9.68
Coun. of Europe 10 91	100	100⅜	101	−0½	+0⅛	9.89
C. of Europe 10⅛ 91	100	101	101½	−0½	−0½	10.00
EEC 10⅛ 93	100	101⅜	102⅛	+0⅛	+0⅛	9.83
EIB 10½ 91	200	103½	104⅛	−0⅛	+0⅛	9.85
EIB 9¾ 88	60	99⅜	100	0	+0⅛	9.81
Finland, Rep. of 10½ 86	100	100⅞	101⅜	−0⅛	+0⅛	10.12
Inter-American 10 91	100	102⅜	103⅛	+0½	+1	9.49
Inter-American 10⅛ 91	100	101⅜	102⅛	0	+0½	9.90
Ireland 10⅛ 86	100	100⅛	100⅝	−0⅛	−0⅛	10.00
Mexico 11 88	100	100⅛	100⅝	−0⅛	0	10.87
Midland Int. Fin. 8½ 90	150	94⅜	94⅞	+0⅛	+0½	9.45
Mt. Bk. Dnmk. 10½ 91	100	100½	101⅛	+0⅛	+0⅛	10.33
Nat. West. 9⅞ 92	100	101⅜	102⅛	−0⅛	+1⅛	9.54
New Zealand 9⅝ 89 ...	200	101⅛	101⅞	+0⅛	+0⅛	9.45
OKB 10⅛ 91	150	101¼	101¾	−0⅛	+0½	9.86
OKB 9⅝ 86	150	99⅜	99⅞	+0⅛	+0⅛	9.81
Quebec Hydro 10⅛ 91...	150	102	102½	+0⅛	+0⅛	9.86
Swed. Ex. Cred. 10⅛ 91	100	100½	100⅞	+0⅛	+0⅛	10.15
Venezuela 11½ 91	100	100⅛	100⅞	0	+0½	11.37
World Bank 10 91	250	103⅛	103⅞	0	+2⅛	9.42

Average price changes... On day 0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Ansett Transport 7½ 92	50	101⅛	102	+0⅛	0	7.22
Asian Dev. Bank 8 90	80	102½	102⅞	+0⅛	+0⅛	7.56
Australia 6⅞ 93	100	103½	103⅞	+0⅛	+0⅞	6.30
Belgelectric 7½ 91	80	†99⅜	100	±0⅛	0	7.51
Bell Canada 7⅛ 93	100	104⅝	104⅞	+0⅛	+0⅞	6.65
Bet. de Autopistas 8 90	50	99⅜	99⅝	0	−½	8.07
Denmark 7⅛ 91	100	98⅛	99	+0⅛	+1⅛	7.41
Dome Petroleum 7⅛ 90	100	102⅛	102⅝	0	+0⅞	6.88
EIB 7¼ 92	100	100½	101⅛	0	+0⅞	7.12
Elet. de France 7 92 ...	100	100⅜	101	+0⅜	+1⅛	6.87
ENEL 8 92	44	100	100½	0	0	7.56
Genstar 7 91	100	102⅜	102⅞	+0⅛	+1⅛	6.64
I/S Elsam 8½ 91	60	104⅛	104⅝	−0⅛	+0½	7.79
Japan Air Lines 7⅛ 91	100	103⅜	104	+0⅛	−0⅛	6.69
Neder. Gasunie 8 91...	100	106½	106⅞	+0⅛	−0⅛	7.02
Nippon T. and T. 6⅝ 92	100	101⅜	102	+0⅛	+0⅛	6.36
OKB 7¼ 91	100	99½	100	−0⅛	+0½	7.28
Oslo, City of 8 91	100	105⅛	105½	+0⅛	+0⅛	7.20
Ost. Donaukraft 7 92	100	100	100½	+0⅛	+0⅞	6.96
Saint-Etienne 8½ 91	20	106	106⅛	+0⅛	+1½	7.58
Swed. Ex. Cred. 7¼ 91	75	97⅛	97½	−0½	+0⅛	7.68
TNT O/S Fin 8 91 ...	50	104⅝	104⅞	−0⅛	+0⅞	7.29
Transcanada Pipe. 7 94	100	102⅜	102⅞	+0⅜	+0½	6.70
Unilever NV 7½ 93 ...	100	106	106⅛	−0⅛	+0⅛	6.72
World Bank 7 90	100	101⅞	102⅛	+1⅞	+2⅛	6.67
World Bank 8 91	100	104⅞	105⅛	0	+0½	7.25

Average price changes... On day +0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅝ 91	15	100	101	0	+0⅞	8.17
Australia 8½ 88	20	91⅜	92½	0	0	8.28
EIB 7⅝ 89	12	98⅜	99⅜	0	−0⅛	7.99
Finland, Rep. of 8⅛ 87	15	100⅜	101⅛	0	+1⅛	8.18
Int.-Amer. Dev. 8⅞ 91	15	102⅛	103⅛	0	+1	8.36
New Zealand 8⅛ 87 ...	15	100⅜	101⅛	0	+0½	8.15

Average price changes... On day 0 on week +0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can. Utilities 17 96 C$	50	†98⅜	99⅛	+0⅛	+0⅜	17.14
CIBC 15⅜ 89 C$	75	†96	96½	−0⅛	+0⅛	16.67
Pancanadian 16½ 88 C$	65	†97⅜	98⅛	0	+0½	16.96
Quebec 17½ 87 C$	60	†102½	103½	0	0	16.56
Queb. Urban 16⅜ 86 C$	20	†100	101	0	0	16.52
Tordom Cpn. 16½ 88 C$	25	†97⅜	98⅜	+0⅛	+0½	16.98
Transalta 17 89 C$	50	†99⅜	100⅛	0	0	16.98
M. Bk. Dnmk. 9 91 EUA	25	86⅜	87⅞	+0⅛	0	11.20
SOFTE 8⅛ 89 EUA	40	78½	79⅛	−0⅛	−0⅛	12.92
U. Bk. Nwy. 9½ 90 EUA	18	92⅛	93⅛	+0⅛	+0⅛	10.90
Algemene Bk. 10⅛ 86 Fl	60	100	100½	+0⅛	+0⅛	10.17
Amfas Group 12⅛ 86 Fl	40	103½	104	0	+0⅛	11.14
Amro Bank 12 86 Fl ...	75	104⅛	104⅝	+0⅛	+1	10.61
Amro Bank 12 86 Fl ...	60	104⅛	104⅝	+0½	+0⅞	10.71
Heineken NV 10 87 Fl...	100	97⅛	97⅝	+0⅛	+0⅛	10.61
Pierson 10⅛ 86 Fl	50	98⅜	99⅛	−0⅛	+0⅛	10.57
Rabobank 12 86 Fl	50	103½	104	−0⅛	+0½	10.82
OKB 14 86 FFr	400	93⅛	94⅛	−0⅛	−0⅛	16.30
Solvay et C. 14⅜ 86 FFr	200	93⅞	94⅞	−0⅛	−0⅛	15.79
Acona 14 85 £	20	95	96	+1	+3⅛	15.61
Beneficial 14⅛ 90 £	20	86⅜	87⅜	−0⅛	+0⅛	17.15
BNP 13½ 91 £	15	91	92	−0⅛	+1⅛	15.29
CECA 13½ 88 £	20	94½	95½	+0⅛	+2	14.68
Citicorp O/S 13½ 90 £...	50	96⅛	97⅛	−0⅛	+2⅛	14.19
Fin. Ex. Cred. 13⅝ 86 £	15	95½	96½	0	+1⅛	15.12
Hiram Walker 14⅛ 86 £	25	97	98	0	+1⅞	15.08
Privatbanken 14½ 88 £...	12	92⅜	93⅛	−0⅛	+1⅛	16.48
Reed (Nd) NV 16⅛ 89 £	25	100⅜	101⅜	−0⅛	0	16.46
J. Rothschild 14⅛ 90 £	12	98⅛	99⅛	−0½	+2	14.49
Royal Trustco 14 86 £...	12	97⅛	98⅛	0	+2½	14.82
Swed. Ex. Cr. 13⅜ 86 £	20	95⅞	96⅞	0	+1⅝	15.02
Akzo 9⅛ 87 LuxFr	500	90⅞	91⅞	0	−0⅝	11.38
Euratom 9⅝ 88 LuxFr ...	500	90½	91½	−0⅛	+1½	12.00
Eurofima 10½ 87 LuxFr...	500	95⅜	96⅛	0	+0⅛	11.50
EIB 9⅝ 88 LuxFr	600	92⅜	93⅛	+0⅛	+1	11.50
Volvo 9⅝ 87 LuxFr	500	90⅞	91⅝	−0½	−0½	11.92

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 91	0⅛	99⅜	99⅞	29/4	17.06	17.13
Bank of Tokyo 5¼ 91 ...	0⅛	98⅜	98⅞	10/6	13⅛	13.40
Bk. Nova Scotia 5¼ 93	0⅛	99⅝	100⅛	29/4	17.06	17.08
BFCE 5⅛ 88	0⅛	99⅝	100⅛	26/4	16.94	16.96
BFCE 5¼ 87	0¼	99⅞	100⅜	27/7	16⅛	16.23
Christiania Bk. 5½ 91...	‡0⅛	99⅜	99⅞	5/5	16	16.06
Co-Ben Eurofin 5½ 91...	0¼	98⅜	99⅛	14/4	16.69	16.88
Credit Nat. 5¼ 94	0⅛	99	99½	9/3	5¼	5.30
Denmrk. Kngdm. of 92	0⅛	98½	99	25/2	15.44	15.63
Den Noreke Cred. 5½ 93	0⅛	97⅜	98⅛	4/6	13.56	13.84
Genfinance 5¼ 92	0⅛	99⅜	100⅛	30/6	15½	15.50
GZB 5¼ 92	‡0⅛	99⅛	99⅝	8/6	14.94	15.03
Ind. Bank Japan 5¼ 88	0⅛	99⅜	100⅛	9/5	13.31	13.31
Lloyds Eurofin 5¼ 93 ...	§0⅛	99⅜	99⅞	29/4	17.13	17.19
LTCB Japan 5½ 89	0¼	99⅜	99⅞	16/7	15.31	15.37
Midland Int. Fin. 9 91...	0⅛	99½	100	30/4	17.06	17.11
Nacional Fin. 5½ 88	0⅛	†96⅜	97⅛	25/3	17.31	17.87
Nat. Bk. Canada 5¼ 88	0⅛	99⅛	99⅝	24/3	17.31	17.40
Nat. West. Fin. 5¼ 91...	§0⅛	99⅛	99⅞	15/7	15.19	15.24
Nippon Credit 5¼ 90 ...	0⅛	99⅜	99⅞	10/8	16.06	16.12
Nordic Int. Fin. 5½ 91...	0¼	98⅜	99⅛	6/5	15⅝	15.80
Offshore Mining 5¼ 91	0⅛	98⅜	99⅛	2/8	13	13.13
Pemex 6 91	0⅛	96½	97	8/4	17	17.57
PKbanken 5 91	0⅛	99	99½	17/6	14⅜	14.48
Sanwa Int. Fin. 5¼ 88...	0⅛	†99⅛	99⅝	24/3	17⅛	17.36
Scotland Int. 5¼ 92	0⅛	98½	99	23/3	13.94	14.11
Sec. Pacific 5¼ 91	0⅛	98⅞	99⅜	24/5	13⅛	13.37
Societe Generale 5¼ 91	0⅛	98⅞	99⅛	22/7	15⅛	15.38
Standard Chart. 5¼ 91	0⅛	98½	99	18/5	13.31	13.48
Sumitomo Fin. 5½ 88...	0⅛	99½	100	9/8	16	16.04
Toronto Domin'n 5¼ 92	0⅛	99⅞	100⅛	11/8	16⅛	16.35

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	91⅛	92⅞	−2⅛	5.69
Bow Valley Inv. 8 95 ...	4/81	23.12	93	94½	−1⅛	99.41
Bridgestone Tire 5½ 96	3/82	470	82¼	83¼	−2¼	−3.33
Canon 6⅛ 95	1/81	829	91⅛	92⅛	−2⅛	4.92
Daiwa Secs. 5½ 96	12/81	513.3	†62	64	0	−7.52
Fujitsu Fanuc 4½ 96 ...	10/81	6770	86⅛	87⅞	−1⅞	9.32
Furukawa Elec. 5⅛ 96...	7/81	300	97½	99	−2⅛	−6.46
Hanson O/S Fin. 9½ 96	8/81	1.36	†89	90	+2	−7.01
Hitachi Cable 5⅛ 96	2/82	516	88	89½	−2⅛	−4.22
Hitachi Cred. Cpn. 5 96	7/81	1773	77⅜	79½	−0⅛	5.65
Honda Motor 5½ 97	3/82	941	81½	83	−2⅞	1.99
Inchcape 8 95	2/81	4.55	†60½	62	0	20.36
Kawasaki 5⅛ 96	9/81	229	64½	65⅞	−2⅛	−2.08
Marui 6 96	7/81	931	91⅞	93⅛	−2⅞	9.58
Minolta Camera 5 96 ...	10/81	909	61½	63	−1½	12.97
Minorco 9⅛ 97	5/82	8.16	†83	85	−0½	11.28
Murata 5⅛ 96	7/81	2190	57⅛	58⅜	−3⅛	14.00
NKK 6½ 96	7/81	189	74½	76	−2	−20.63
Nippon Chemi-C 5 91...	10/81	919	60	62	0	9.23
Nippon Electric 5⅛ 97...	2/82	846	88⅜	89⅞	−0⅛	4.65
Orient Finance 5⅛ 97 ...	3/82	1567	89	90½	−1	8.54
Sanyo Electric 5 96	10/81	652	68	69½	+0⅛	4.50
Sumitomo Met. 5¼ 96...	10/81	305	65⅛	66⅞	−1⅛	10.85
Swiss Bk Cpn. 6¼ 90...	9/80	191	70⅛	72⅛	−0⅛	17.46
Konishiroku 6 90 DM ...	2/82	595	99	99	−2	−3.05
Mitsubishi H. 6 89 DM	2/82	263	93⅛	94	−0⅛	10.98

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	6,727.1	11,593.0
Previous week	6,604.1	16,413.5
Other bonds		
Last week	870.6	390.9
Previous week	1,125.0	1,060.1

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cov. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Dillon Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Royal Bank; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on March 12

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

Roderick Oram, recently in Toronto, reports on the way the world's largest nickel producer approaches the future after writing off four years profits in one

Obstacles for Inco on return to base

SO RICH is the main ore body of Inco, the world's largest nickel producer, that the company can prosper in the 1980s despite costly mistakes made in the 1970s.

The errors, compounded by such misfortunes as the rise in oil prices, came home to roost in the fourth quarter of 1981 when Inco took write-offs of US$245m on its ill-fated diversification into ESB, the U.S. battery producer, and $220m on its investment in a Guatemalan nickel mining project.

This produced a net loss last year of US$497.5m, compared with a net profit of $193.2m in 1980. Sales from continuing operations fell to $1.9bn, from $2.2bn.

Despite its surviving the red ink in tolerable financial shape, the question persists as to whether the Toronto-based Inco will be able fully to capitalise on the next nickel boom, expected by mid-decade. It will not, then have full use of its best ore body, because of Ontario anti-pollution regulations.

Inco was founded to exploit the world's lowest cost and largest nickel ore body at Sudbury, northern Ontario. Even after 80 years of mining, the company has yet fully to delineate the body, which is its main reserve.

Coupled with other properties, its Canadian proven and provable reserves still stand at more than 500m tonnes of ore, roughly enough for 40 years of mining.

All, however, is far from perfect. The Sudbury operation is crucially checked by the pollution regulations imposed by the provincial Government and has a history of long, bitter strikes reflecting poor labour-management relations.

Armed with the Sudbury body, Inco was the world's pioneering nickel producer and long the dominant one, retaining up to 70 per cent of the market as late as the 1960s. Of recent years its share has been about 30 per cent.

It had an autocratic relationship with its customers and was unable, or unwilling, to expand production fast enough to satisfy steadily rising demand. Thus prices rose, attracting new competitors, some of which were government subsidised.

Inco responded in the early 1970s to this loss of market share by spending more than US$1bn, much of it borrowed, to develop Guatemalan and Indonesian ore bodies as its first foreign mining operations.

Mr Charles Baird since April, 1980, the chief executive, and at the earlier time the chief financial officer, says the decision was based on several factors. In particular, the Sudbury body was being exploited too rapidly and the company wanted to diversify supplies, particularly with an ore body, such as the Indonesian, close to Japan, the fastest growing market.

Inco based its expansion plan on its forecast that nickel demand would as much as double in the 1970s. In the event it rose from 1.05bn pounds in 1970 to peaks of around 1.4bn pounds in 1974 and 1979 before slipping in 1981 back to near the 1970 level.

The U.S. market was already flattening out when Inco made its forecast, Western Europe was showing signs of going the same way and Japan has since started to follow suit.

Nickel's primary use is an ingredient for alloy steels. Not only has steel demand in the Western world been weak, but low alloy steels have taken a larger share.

Oil price rises had a particular impact on Inco because the Guatemalan and Indonesian bodies are lateritic ores, which to smelt require more than one-and-a-half times the energy of Canadian sulphide ores.

The Guatemalan project came on stream in 1979 and needed a nickel price of U.S.$5 per lb to generate a 15 per cent return on equity. Breakeven point now the investment has been written off is at a price about 10 per cent higher than the $2.80 per lb Inco was averaging in the fourth quarter of last year.

Given the costs of operating in Guatemala, depressed prices and demand for nickel and excess industry capacity, Inco felt it had no alternative but to mothball the plant.

Indonesia's cost structure is better because 50 per cent of its power is supplied by a company-owned hydro-electric dam. Even so, it is operating only one of three furnaces at the moment because of sufficient supplies from lower cost operations.

Inco's nickel production operated last year at an average of 66 per cent of its capacity of about 500m lb a year. At this low level and a price of $2.80 a lb the company incurred losses of $40.6m on continuing operations in the final period of last year.

Any improvement in prices or demand feeds very rapidly into the company's net earnings. The upturn could begin late this year but is not likely to hit full stride before the middle of the decade.

Although Inco has plenty of spare capacity to meet such demand, its Sudbury operations are being squeezed ever tighter by environmental constraints. The Sudbury smelter's capacity is 340m lb a year but the provincial government's sulphur dioxide emission rules limit production to 280m lb.

Inco is testing new smelting methods to cope with the steadily tightening rules. It is taking a slow and cautious approach and will not make a decision on Sudbury until the end of this year at the earliest.

Either rebuilding the existing refinery or starting from scratch would be expensive and time consuming. Mr Baird says the cost could run up to $500m, although some Inco watchers put it twice as high.

It is clear from Inco's 1981 balance sheet that it does not have the financial resources to move quickly. Existing debt of $1.3bn is the hangover from the 1970s expansion and Mr Baird sees its reduction as the top priority. At year end its debt: equity ratio was 45:55. Inco, it is evident, will not have its largest and lowest cost ore body operating at full capacity when the next boom comes.

Labour relations could be another problem when the Sudbury miners' contract expires in May. The pattern has been a long strike every third contract, with minor trouble in between.

"It's not a record of which I'm particularly proud," Mr Baird says. There is "blame enough for both sides."

The last long strike was in 1978-79, during negotiations for the current contract, but trouble enough could brew to change the strike pattern for the worse.

The company wants to cut 850 of 10,800 Sudbury blue collar jobs—many by early retirement or voluntary redundancy—because of depressed demand. This comes only months before a crucial election of local union leaders in which candidates are likly to resort to the traditional topic of who can talk toughest to management.

Bad feelings often run high in Sudbury, which was established to serve Inco's mine. Some industrial diversification means that Inco is no longer the sole employer but it is still a pervasive presence.

Mr Baird is optimistic. He believes the company has developed a better understanding with the union, the United Steelworkers, and its members since the last strike.

Inco's labour troubles can not be explained entirely by the tensions of small and relatively isolated mining towns. It suffered a four-and-a-half month strike 1979-80 at its Clydach refinery in South Wales, which employs 840 blue-collar workers out of a staff of just over 900.

While Inco wrestles with its time worn problems, it is also trying to sell the remnants of its first and disastrous diversification.

It made an offer for ESB of Philadelphia in July 1974, but got into a bidding war with United Technologies before winning the company for $234m. Shortly afterwards the U.S. Justice Department brought an anti-trust suit against it, on the charge of restraint of research and development. ESB and Inco were competitors in a small area of battery R and D.

For the three years it took to settle the case Inco's only involvement with the company, which it owned 100 per cent, was through two non-executive directors of its choosing. In this period ESB fell further behind the industry by failing to introduce maintenance-free car batteries and long-life alkaline consumer batteries.

ESB, renamed Inco Electro-Energy when Inco finally took charge in 1978, was never a winner. In the first 11 months of last year it lost $25m on sales of $737m, against a loss of $30m on $891m in 1980. Its best year under Inco was net profit of $16m on $765m of sales in 1978.

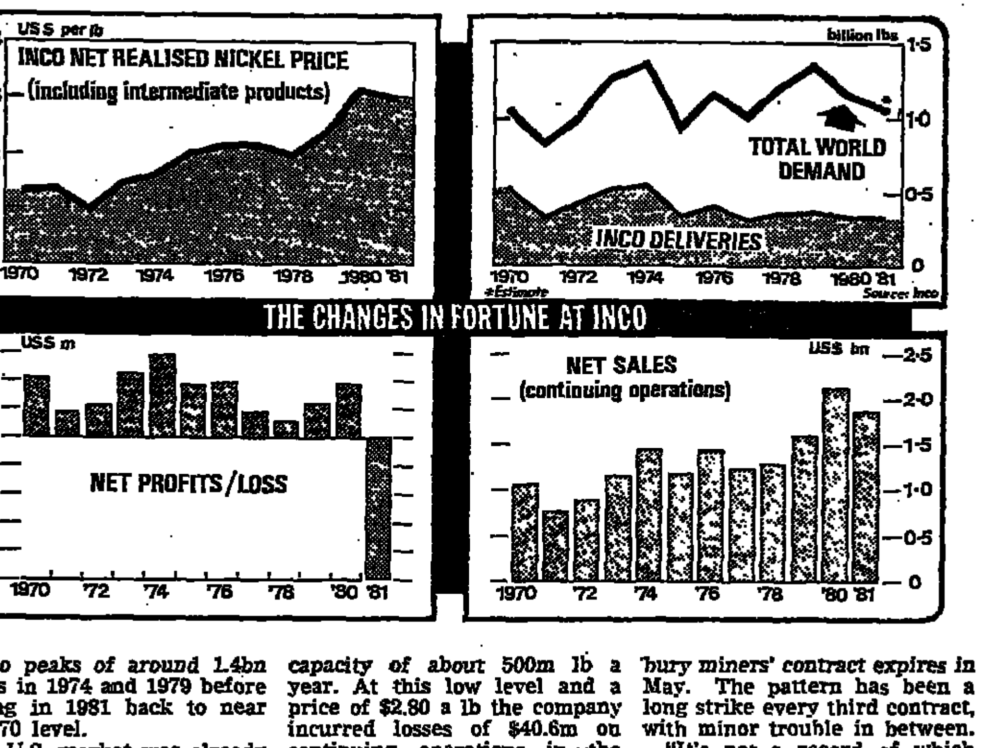
Mr Baird says that Inco did not know a lot about the business, particularly the consumer marketing side, but was interested in ESB for the diversification and the chance to flatten out the cyclical nature of nickel earnings.

In total Inco sunk about $530m into ESB. It collected about $70m last year from selling parts of it, hopes to collect a further $200m from more disposals and is taking the $245m net write off.

But who will buy the pieces? The operations require a large capital injection to make them competitive and the most logical purchasers are already big in the business and so likely to face anti-trust road blocks.

Although Inco intends to concentrate for the present on the businesses it does know, it still intends to diversify. Mr Baird would like to see one-third of its earnings coming from outside the traditional nickel and copper fields by the end of the decade.

Some of these earnings will come from metals new to Inco's stable, such as tungsten, molybdenum and precious metals, some from oil and gas and some from high technology companies such as Biogen, the genetic engineering company in which it has a 20 per cent stake.



THE TRING HALL USM INDEX
116.7 (−0.3)
close of business 12/3/82
BASE DATE 10/11/80 100
Tel.: 01-638 1591

LADBROKE INDEX
Close 563-567 (−4)

WORLD STOCK MARKETS

Indices

NEW YORK —DOW JONES

	Mar. 12	Mar. 11	Mar. 10	Mar. 9	Mar. 8	Mar. 5	1981-82 High	1981-82 Low	Since Cmpil't'n High	Since Cmpil't'n Low
●Industr'ls	797.57	805.56	804.88	803.84	785.47	807.58	1024.05 (27/4)	785.47 (8/3/82)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds.	58.51	58.45	58.55	58.22	58.29	58.21	65.78 (15/1/81)	54.99 (1/10)	—	—
Transport.	320.80	325.05	318.87	320.48	314.36	322.82	447.38 (16/4)	314.36 (8/3/82)	447.38 (16/4/81)	12.23 (8/7/32)
Utilities	106.81	106.78	107.56	107.80	107.47	107.66	117.81 (5/1/81)	101.28 (28/9)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000-1	49,600	52,960	58,440	78,060	67,380	67,440	—	—	—	—

●Day's high 806.32 low 792.05

	Mar. 5	Feb. 26	Feb. 19	Year ago (approx)
Ind. div. yield %	6.90	6.75	6.74	6.74

STANDARD AND POORS

	Mar. 12	Mar. 11	Mar. 10	Mar. 9	Mar. 8	Mar. 5	1981-82 High	1981-82 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Indust'ls	120.27	121.06	120.89	120.26	118.41	120.86	157.02 (6/1/81)	118.41 (8/3/82)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	108.61	109.28	109.41	108.83	107.34	109.34	138.12 (6/1/81)	107.34 (8/3/82)	140.52 (28/11/80)	4.4022 (1/6/3)

	Mar. 10	Mar. 3	Feb. 24	Year ago (approx)
Ind. div. yield %	6.09	6.00	5.83	4.68
Ind. P/E Ratio	7.37	7.42	7.62	9.16
Long Gov. Bond yield	13.15	13.01	13.21	12.52

NY. S.E. ALL COMMON

Mar. 12	Mar. 11	Mar. 10	Mar. 9	1981-82 High	1981-82 Low
62.52	62.96	63.04	62.71	79.14 (6/1/81)	62.03 (8/3/82)

Rises and Falls

	Mar. 12	Mar. 11	Mar. 10
Issues Traded	1,863	1,856	1,902
Rises	415	640	865
Falls	999	772	585
Unchanged	449	444	452
New Highs	7	12	18
New Lows	138	88	64

MONTREAL

	Mar. 12	Mar. 11	Mar. 10	Mar. 9	1981-82 High	1981-82 Low
Industrials	275.60	277.87	288.87	275.45	408.56 (27/6)	273.68 (12/3/82)
Combined	261.62	265.71	267.04	265.69	375.28 (15/6)	261.62 (12/3/82)
TORONTO Composite	1546.8	1568.7	1574.8	1561.4	2390.55 (16/7)	1546.8 (12/3/82)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
IBM	815,400	57⅞	−⅛
Exxon	633,500	29	−¼
Bank America	619,500	17	−1
Burroughs	614,000	31½	−1⅞
Gulf Oil	599,700	28¾	−⅛
Ford Motor	570,000	19½	−1⅛
Holiday Inns	547,700	24⅛	−1½
Tandy	516,300	27	−⅞
Inco	458,300	11⅛	−¼
Delta Air	444,600	28½	−1

WORLD INDICES

	Mar. 12	Mar. 11	Mar. 10	Mar. 9	1981-82 High	1981-82 Low
AUSTRALIA All Ord. (1/1/80)	462.0	457.4	455.6	463.6	737.3 (8/4)	455.6 (10/3/82)
Metal & Minls. (1/1/80)	330.8	324.7	322.4	330.5	755.2 (7/1/81)	322.4 (10/3/82)
AUSTRIA Credit Aktien (2/1/62)	54.34	54.25	54.88	54.84	56.45 (5/1/81)	53.54 (13/10)
BELGIUM Belgian SE (31/12/63)	92.79	95.09	95.58	95.64	101.39 (25/2/82)	89.55 (16/6)
DENMARK Copenhagen SE (1/1/73)	121.55	122.59	122.71	112.90	128.22 (25/2/82)	95.89 (2/1/81)
FRANCE CAC General (29/12/61)	97.90	98.4	99.8	99.2	112.5 (17/5/81)	77.5 (15/6)
Ind Tendance (31/12/81)	111.70	112.4	114.3	112.9	124.0 (19/2/82)	97.7 (4/1/82)
GERMANY FAZ-Aktien (31/12/58)	232.96	233.89	233.98	235.14	245.47 (3/7)	215.86 (9/2/81)
Commerzbank (Dec 1953)	708.70	711.1	712.6	707.8	749.0 (3/7)	686.4 (16/2/81)
HOLLAND ANP-CBS General (1970)	85.2	84.6	85.5	85.2	90.6 (20/8)	78.5 (28/9)
ANP-CBS Indust (1970)	68.7	68.9	69.0	68.0	76.4 (22/6)	61.4 (22/12)
HONG KONG Hang Seng Bank (31/7/64)	1195.90	1179.79	1152.69	1129.93	1810.20 (17/7)	1113.77 (5/10)
ITALY Banca Comm Ital. (1972)	202.57	202.25	202.50	(u)	292.86 (3/6)	166.44 (24/7)
JAPAN(**) Dow Average (16/5/49)	7102.61	7237.34	7292.91	7185.80	8019.14 (17/8)	6956.52 (16/3/81)
Tokyo New SE (4/1/68)	534.99	542.97	545.18	538.84	603.92 (17/8)	495.79 (5/1/81)
NORWAY Oslo SE (1/1/72)	114.95	116.87	116.42	115.60	145.72 (6/8)	110.34 (5/6)
SINGAPORE Straits Times (1966)	703.99	706.56	697.99	687.49	975.25 (26/6)	687.49 (9/3/82)
SOUTH AFRICA Gold (1958)	—	445.1	432.5	411.2	797.6 (7/1/81)	411.2 (9/3/82)
Industrial (1958)	—	599.9	598.5	598.1	711.7 (8/1/82)	557.2 (5/2/81)
SPAIN Madrid SE (30/12/81)	103.64	105.15	102.15	102.66	107.46 (8/2/82)	99.17 (5/1/82)
SWEDEN Jacobson & P. (1/1/58)	815.27	811.79	809.59	806.52	869.31 (10/8)	484.17 (29/1/81)
SWITZERLAND Swiss Bank Cpn. (31/12/58)	244.3	242.3	244.9	245.6	304.2 (2/4)	242.5 (11/3/82)
WORLD Capital Intl. (1/1/70)	—	151.1	151.5	150.7	162.8 (6/1/81)	150.7 (9/3/82)

(**) Sat. Mar. 6: Japan Dow 7247.85. TSE 540.83.

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK | CANADA | HOLLAND | HONG KONG | JAPAN | NORWAY | ITALY | AUSTRALIA | GERMANY | AUSTRIA | BELGIUM/LUXEMBOURG | FRANCE | DENMARK | SINGAPORE | SWEDEN | SWITZERLAND | SOUTH AFRICA | BRAZIL | TEL AVIV

Financial Rand US$0.70¼ (Discount of 23½%)

INSURANCE

National Insurance move brings relief

BY ERIC SHORT

THE LIFE-assurance industry heaved a sigh of relief when Mr Norman Fowler, Social Services Secretary, said the abatement on National Insurance contributions would be lowered from April 1983 to 6¼ per cent, from 7 per cent. It had feared a much bigger cut that could have had a severe impact on pension business transacted.

The operation of the state pension scheme in its current form is complex enough but its interaction with the private sector is most complicated.

Essentially the state scheme provides two layers of pension. One is the basic flat-rate pension. The other is an earnings-related pension on top. This is related to earnings since the start of the scheme in April 1978.

Employers can opt out of the second tier and provide earnings-related pensions from their company pension schemes. In return employees and employers pay reduced National Insurance contribu—itons, representing the average cost of providing the equivalent earnings-related pension, known as the Guaranteed Minimum Pension (GMP).

The terms under which employers continue to contract out of the state scheme are reviewed every five years. A clear 12 months' notice is given of new terms. Hence the Government has to pass legislation by April 5, 1982, for it to be effective from April, 1983.

The pensions industry knew that the National Insurance reduction would be lower from April, 1983, simply because the average period in which to provide the GMPs lengthens. So the discussion between the Government and the pensions industry has been over the amount of the reduction.

The present terms were reached after long, hard bargaining with the then Labour Government. This resulted in the present 7 per cent reduction —2½ per cent for employees and 4½ per cent for employers. Under the same assumptions the combined rate should have come down to 6¼ per cent from April, 1983.

The life-assurance industry was very much involved in these negotiations, being one of the main providers of pension schemes and pension-investment management.

The pension consultants and the life companies themselves did such a good job selling private pensions in the run up to April, 1978, that more than 20,000 employers took more than 10m employees out of the state scheme. This was far more than expected.

Life companies saw their pension revenue in 1978 and 1979 jump by as much as 100 per cent for some companies.

The Government Actuary had a hard look, however, at the current terms. He concluded they were somewhat generous to the private sector. He calculated that a reduction of 6 per cet would be a more realistic reduction from 1983.

The pension industry disagreed with his conclusions. It said three or four years was far too short a period over which to change the terms.

In the end Mr Fowler made a compromise reduction to 6¼ per cent. He said he did not wish to inflict too large a burden on small employers and companies with a high proportion of elderly or female employees.

The life assurance industry, through the Life Offices Association, feels the 6¼ per cent figure is a reasonable compromise and that almost all employers are likely to continue to remain contracted-out.

There is little danger of life companies having to realise investments so that their clients can pay to go back into the state scheme. Equally important, they do not face the massive administrative task such action would entail.

This pragmatic attitude was in contrast to that of the National Association of Pension Funds. This association deplored the Government's action and felt let down with anything less than 6¼ per cent. It feels every employer will have to reconsider his position with a 6¼ per cent rebate.

The pensions industry is unanimous, however, in opposing the other change in the contracting-out terms relating to the cost formula for buying back into the state scheme.

The present terms have proved very generous to employers, offering them buy-back on cheap terms. This arises because interest rates have remained far above the average level assumed by the Government Actuary in his formula.

The industry accepts some change is needed but not the radical increase in costs proposed by Mr Fowler. The Occupational Pension Schemes Joint Working Group is seeking an urgent meeting with him at which it will put forward an alternative buy-back formula.

APPOINTMENTS

Stuart Graham becomes ICCH chairman

Mr Stuart Graham, who is retiring as group chief executive of Midland Bank at the end of next month, has become chairman of the INTERNATIONAL COMMODITIES CLEARING HOUSE (ICCH), following its acquisition by a consortium of banks. The ICCH clears contracts on the London futures markets and garantees their performance to its clearing members. It is owned by Barclays Bank, Lloyds Bank, Midland Bank, National Westminster Bank, Williams and Glyn's Bank and Standard Chartered Bank.

★

Mr Alan Isaacs has been appointed managing director of HILTCROFT PRECISION INSTRUMENTATION.

★

Mr Alan Wylie has become chairman and chief executive of REXEL. He is also managing director of the Cumberland Pencil Company and chief executive of Ofrex Engineering and Rexel (Ireland) and a director of the company's Australian subsidiaries and of the holding company, the Ofrex Group. Mr A. G. Andrews—Ofrex Group chairman and chief executive—has joined the Rexel board. Mr R. D. Hill, managing director of South Wales-based Ofrex Engineering also becomes a director of Rexel, and in a reciprocal move, Rexel's administration director, Mr J. G. Hewitson, becomes a director of Ofrex Engineering. The Ofrex Group is part of the Gallaher Group.

★

Mr Stanley Maitland, a director of the Pearl Assurance, has been appointed a director of the CHARTER TRUST AND AGENCY, to succeed Mr Stuart McIntyre, who has retired.

★

Mr Roger Corkhill has been appointed managing director of GLOBAL of London, the tour operating company which is part of the Great Universal Stores group. Formerly director (tour operations) for Thomas Cook, Mr Corkhill succeeds Mr Robin Cattermole, who has joined the board of Kay and Co., the GUS mail order subsidiary, as marketing director.

★

Mr Gerald Mowbray, previously works director of Sun Printers, has been appointed technical director of THE BRITISH GRAVURE CORPN.

★

Mr J. E. Sheehan has been appointed managing director of GRANTRIGHT.

★

Mr Donald W. Ford has been appointed director and chief executive of the TWIL GROUP. His appointment follows the sudden death of Mr James Fouldes who was due to retire later this year. Mr Ford has been director of BSC's Scunthorpe works since 1977.

★

Mr Terry Hurst has been appointed a member of the NATIONAL DOCK LABOUR BOARD. He will replace Mr Tom Cronin who has resigned. The appointment is for the remainder of his predecessor's period of appointment until July 31 1983. Mr Hurst is district officer of the Association of Clerical, Technical and Supervisory Staffs which is part of the Transport and General Workers' Union.

★

Mr Eric J. Gilliland director of finance, THAMES WATER AUTHORITY, has decided to take early retirement from August 4, after 43 years' service in the public sector.

★

LONDON TRUST COMPANY has appointed Mr D. J. C. ("Henry") Berens to succeed the managing director, Mr Lionel Rolfe, who retires in April 1983. Mr Berens will be joining Rivermoor Management Services, managers of the Trust, during the summer. For the past 10 years he has been group investment manager with Trafalgar House and was previously with Lazard Brothers.

★

GEA AIREXCHANGERS has appointed Dr Clifford North, as technical director and Mr John Vernon as sales director.

★

Mr Robert J. Parry has been appointed business development director for the PILKINGTON ELECTRO-OPTICAL division—of which the major subsidiaries are Pilkington PE, St Asaph, and Barr and Stroud, Glasgow. He was previously managing director of Pilkington PE and will be succeeded by Mr Trefor G. Jones, previously production director. Mr Parry will retain his seat on the Pilkington PE and Barr and Stroud boards and continue to be responsible for Brangiea—a security system company, Leenshire—in electronics, and Hytran Products—fibre optics company, all of which are part of the Electro-Optical division. Mr Jones will be succeeded as production director of Pilkington PE by Mr A. McKendrick of Barr and Stroud. The vacant position of technical director at Pilkington PE will be filled by Mr J. Arbuthnott, previously a divisional manager at British Aerospace.

★

Mr Terry Mansfield, at present deputy managing director of the NATIONAL MAGAZINE COMPANY, has been appointed managing director from May 1. Rev. Marcus Morris, who has been managing director since 1963, will continue in a full-time capacity as deputy chairman. The chairman is Mr Frank A. Bennack Jnr., who is also president and chief Executive officer of the Hearst Corporation, the National Magazine Company's parent company in America.

★

Lord Allen of Abbeydale is to serve a further term as chairman of the GAMING BOARD until June 30 1984.

★

ARTHUR ANDERSEN AND CO. has elected Mr Don Hanson as managing partner of Arthur Andersen and Co. UK, following Mr Ian Hay Davison's decision to resign. He will take over on May 1. Mr Davison will continue as senior partner and as a member of the board of partners of the international firm.

★

PLASTICISERS, Bradford, has appointed Mr Geoff Thornton as production director, and Mr Geoff Dorsett as sales director.

★

Mr Tony Derry has been appointed managing director designate of LONG JOHN INTERNATIONAL from April 13. He is currently international sales director of Whyte and Mackay. Mr Ian Coombs who is currently vice chairman and managing director will hand over as managing director to Mr Derry later this year but will continue as vice chairman. At that time Mr Coombs will be moving to Whitbread headquarters in a senior capacity.

★

GRUNDIG has named Mr Richard Pears as managing director of its UK company, Grundig International, from May 1. Mr Pears, formerly managing director of Comet Group will replace Mr André Baumes at Grundig. Mr Baumes is leaving Britain to take up his new responsibilities with Grundig France.

★

Mr C. R. H. Bull has been appointed director, finance and planning, of BICC INDUSTRIAL PRODUCTS, the division of the BICC Group responsible for electrical and electronic components. He has been succeeded as head of group financial analysis by Mr M. B. Cornish.

★

Lord Chalfont and Mr Neil R. Kennedy have been appointed non-executive directors of ZEUS SECURITY. Mr David John, Mr Jeremy Wetherell and Mrs Ingrid Stevenson have been appointed directors of Zeus Security Guards.

★

Mr Peter Bonfield director, marketing operations, of ICL, has been appointed chairman of BARIC COMPUTING SERVICES. Appointed as a director and deputy chairman is Mr Owen H. Rout, a general manager of Barclays Bank.

This week in Commons and Lords

TODAY

Commons: Conclusion of debate on the Budget. Motion on the Prevention of Terrorism (Temporary Provisions) Act 1976 (Continuance) Order.

Lords: Travel Concessions (London) Bill, Committee. Local Government (Miscellaneous Provisions) Bill, Committee. Civil Aviation (Amendment) (No 2) Bill.

Select Committee—Energy: Subject: Combined Heat and Power. Witnesses: British Gas Corporation (Room 8, 4.30 pm).

TOMORROW

Commons: Consolidated Fund (No 2) Bill.

Lords: Legal Aid Bill, Committee. Civic Government (Scotland) Bill, third reading. Salmon Fisheries (Protection) Bill; Committee. Deer (Amendment) Bill, Committee. Debate on hard drug taking by the young in major cities.

Select Committees—Environment: Subject: Inquiry into methods of financing local government in the context of the Government's Green Paper (Cmnd 8449). Witnesses: Association of Metropolitan Authorities and Association of District Councils (Room 16, 4.00 pm).

Welsh Affairs: Subject: Water in Wales. Witnesses: Rt Hon Nicholas Edwards MP, Secretary of State for Wales. (Room 18, 4.30 pm).

WEDNESDAY

Commons: Supply debates on cuts in higher education in Scotland (until about 7 pm). Then National Health Service charges for overseas visitors. Motions on the Wool Textile Industry (Amendments) Order.

Lords: Debate on the need to introduce effective measures to stimulate industrial growth and to deal with the continuing grave problem of unemployment. Debate on Namibia.

Select Committees—Defence: Subject: Ministry of Defence organisation and procurement. Witness: Department of Industry (Room 15, 10.30 am).

Industry and Trade: Subject: The Post Office. Witnesses: The Post Office Users' National Council; Mail Users' Association (Room 16, 10.45 am).

Transport: Subject: Transportation in London. Witnesses: Rt Hon David Howell MP, Secretary of State for Transport, and officials (Room 17, 11.15 am).

Treasury and Civil Service Sub-Committee: Subject: The 1982 Budget and the Government's expenditure plans 1982-83 to 1984-85. Witnesses: HM Treasury officials (Room 15, 4.30 pm).

Employment: Subject: The Commission for Racial Equality's draft Code of Practice for the elimination of racial discrimination and the promotion of equality of opportunity in employment. Witness: Mr David Lane, chairman of the Commission for Racial Equality (Room 8, 4.30 pm).

Public Accounts: Subject: Expenditure on hospital buildings. Witnesses: Sir Kenneth Stowe, KCB, Department of Health and Social Security; Mr A. L. Rennie, CB, Scottish Home and Health Department; Mr T. P. Hughes, CB Welsh Office (Room 16, 4.30 pm).

Committee on Private Bills. Unopposed bills. (1) Hertsmere Borough Council (Rowley Lane) Bill. (2) Port of London Bill. (3) London Transport (General Powers) Bill (Room 9, 4.00 pm).

THURSDAY

Commons: Social Security and Housing Benefits Bill, remaining stages.

Lords: Canada Bill, second reading.

FRIDAY

Commons: Private Members' Motions.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Barranquilla Invs, 36, Golden Square, W, 11.00
Deanson Hldgs, The Post House, Chapel Lane, Great Bar, Birmingham, 12.00
First Natl Finance, Winchester House, 100, Old Broad Street, EC, 2.30
Granada Grp, 36, Golden Square, W, 12.30
Grt Northern Inv Tst, 90, Mitchell Street, Glasgow, 12.00
Trusthouse Forte, Grosvenor House, Park Lane, W, 12.00

BOARD MEETINGS—
Finals:
BP
Canning (W.)
Carlton Inds
Cement Roadstone
Lancaster (D. M.)
Memec (Memory and Elec Components)
Metalrax
Transport Dev
VW
Waverley Cameron
Interims:
Barratt Dev
Chambers and Fargus
Jarvis (J.)
Link House Pubs
Victor Prods (Wallsend)
Yarrow

DIVIDEND & INTEREST PAYMENTS—
Amfac Inc 36 cts
BICC Dbs 3¼, 3½pc
Bett Bros 1.9p
Border and Southern Stockholders Tst Db 2½pc
Britannia Jersey Gilt Fund PtgRdPf 0.6875p
British Guiana 5pc 1980-85 2½pc
Continental Grp 65cts
Cummins Eng 50cts
Dalgety Db 3½pc
Dana Cpn 40cts
Deanson Hldgs 1p
Edinburgh Inv Tst 3.15pcPfd 1.575pc
Ellis and Everard 2.5p
Funding 6pc 1993 3pc
Hampson Inds 0.25p
Honeywell Inc 85cts
Hutton (E. F.) 20cts
ICI Bds 1982 3¼pc (final payment)
Lucas Inds Ln 3½pc
Mercantile House Hldgs 3.5p
Monks Inv Tst Db 1¾pc
Natl Medical Enterprise Inc 10cts
Natomas 35cts
N Zealand 6¼pc Stlg-DM Bds 1982 3⅛pc
Pennine Comml Hldgs £%2.65032 (1st payment) 11/12/81 to 28/2/82) (inc. additional interest from 1/3/82 to 16/3/82)
Do Ln £%3.42336 (1st payment from
Owens Illinois 42cts
Pennzoil 55cts
Redfearn Natl Glass Db 5¼pc
Sandvik AB 6¼pcCnvBds 15-3-83 $62.50
Sea Containers $1.4625CumPf 36.5625cts
Seagram 45cts
Sthrn Rhodesia 4½pc 1977-82 (Unass) 2¼pc. Do 4½pc 1977-82 (Ass) 2¼pc
Stockport 12¼pcRd 1985 6⅛pc
Sweden (Kingdom of) Ln 6¼pc
TRW Inc 60cts
Time Inc 25cts
Treasury 9pc 1992-96 4½pc

TOMORROW

COMPANY MEETINGS—
Berisford (S. and W.), Tower Hotel, St Katharine's Way, E, 12.00
Essex Water, The Great Eastern Hotel, Liverpool Street, EC, 12.00
Kellock Tst, Kellock House, 28, Friar Street, Reading, Berks, 12.15
Meldrum Inv Tst, 2, St Mary Axe, EC, 11.30
Vantage Secs, 7, Lincoln's Inn Fields, WC, 11.45

BOARD MEETINGS—
Finals:
Bibby (J.)
Boddingtons Brews
Bronx Eng
Charterhouse Petroleum
Exco Intnl
IMI
Johnstone's Paints
Trade Indemnity
Interims:
Brooke Bond
Ductile Steels
Guinness Peat
Wolseley-Hughes

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage 9pcDb 1979-82 4½pc. Do 9½pcDb 1981-83 4¾pc. Do 9½pcDb 1983-86 4¾pc. Do 7¾pcDb 1991-93 3⅞pc
Assd Dairies Grp 1.35p
N Zealand 3½pc 1981-84 1¾pc
Pennine Comml Hldgs £%2.65032 (1st payment 11/12/81 to 28/2/82) (incl. additional interest from 1/3/82 to 16/3/82). Do Ln £3.42336 (1st payment from 11.12/81 to 28/2/82 (incl. additional interest from 1/3/82 to 16/3/82)
Treasury 14pc 1982 7pc. Do 2pc Index-Linked 1996 £1.10
Williams and Glyn's Bk FltgRteCapNts 1991 $92.39

WEDNESDAY, MARCH 17

COMPANY MEETINGS—
Lovell (Y. J.) (Hldgs), Portman Hotel, Portman Square, W, 11.30
Norfolk Cap Grp, Arlington Hotel, Hayes, Middx, 11.30
North Midland Construction, Portland Works, Portland Street, Daybrook, Nottingham, 12.00
Pratt (F.) Eng, The Great Eastern Hotel, Liverpool Street, EC, 12.00
Union Discount of London, 39, Cornhill, EC, 12.00

BOARD MEETINGS—
Finals:
Britannia Arrow
Britannic Assurance
Collins (Wm)
Corah
Hewitt (J.) (Fenton)
Jacobs (John I.)
Johnson Grp Cleaners
Lex Service
Mackay (Hugh)
Tilling (Thomas)
Turner and Newall
U.S. Deb Cpn
Interim:
Lawtex

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage VarBds 11-3-83 £7.9125
Alexanders Discount 13p
Garford-Lilley Inds 0.25p
Hambro Tst 1.59p
Helene of London 0.37p
Industrias Resistol SA FltgRtNts 1988 $469.78
Leumi Intnl Inv NV GtdFltgRtNts 1988 $91.44
N Midland Construction 1.75p
Treasury 12pc 1983 6pc
Vantage Secs 0.75p

THURSDAY, MARCH 18

COMPANY MEETINGS—
Crescent Japan Inv Tst, 4, Melville Crescent, Edinburgh, 12.30
Drayton Far Eastern Tst, 117, Old Broad Street, 12.00
E Anglian Water, 163, High Street, Lowestoft, Suffolk, 3.00
Greenfriar Inv, 11, Austin Friars, EC, 2.30
Kershaw (A.), 38, South Street, W, 10.30
Kitchen (Robert) Taylor, The Connaught Rooms, Great Queen Street, WC, 10.00
New Tokyo Inv Tst, 4, Melville Crescent, Edinburgh, 12.10
Rank Orgn, The Royal Lancaster Hotel, Lancaster Terrace, Hyde Park, W, 12.00
Utd Guarantee (Hldgs), The White House Hotel, Albany Street, NW, 12.00

BOARD MEETINGS—
Finals:
Fisher (James)
Guest Keen and Nettlefolds
Hall Eng
House of Lerose
Liverpool Daily Post and Echo
Sale Tilney
Sedgwick
Sharpe and Fisher
Steetley
Supra
Interims:
Belam
Mucklow (A. and J.)
Pressac
Thorpe (F. W.)

DIVIDEND & INTEREST PAYMENTS—
Grt Northern Inv Tst 4.6p
Grupo Ind Alfa SA FltgRtNts 1988 $345.31
Howard Shuttering Hldgs 0.535p
Newmark (Louis) 4p
Routledge and Kegan Paul 1p
Union Discount of London 17p

FRIDAY, MARCH 19

COMPANY MEETINGS—
Brunner Inv Tst, 20, Fenchurch Street, EC, 12.45
Chester Waterworks, Aqua House, 45, Boughton, Chester, 2.30
Trust of Property Shares, 16, Finsbury Circus, EC, 12.00
Updown Inv, 12, Token House Yard, 12.00

BOARD MEETINGS—
Finals:
BL
Midland Bk
Montfort (Knitting Mills)
Interims:
Waring and Gillow

DIVIDEND & INTEREST PAYMENTS—
Beales (John) Assoc Ln 3¼pc
Chester Waterworks 4.2pc (Fmly 6pc) Max 2.1pc. Do 3.15pc (Fmly 4½pc) RdPf 1979-84 1.575p. Do 3.85pc (Fmly 5½pc) RdPf 1983-88 1.925pc. 4.55pc (Fmly 6½pc) RdPf 1983-85 2.275p. 3.15pc (Fmly 4½pc) Pf 1.575p
Declan Hldgs 1.925p
Greenfriar Inv 2.3p
Lazard Bros Sterling Reserve Fund PtgRdPf 6p
Pfizer Inc 46cts
Ransomes Sims and Jefferies 5½pcPf 1.925p
Sentrust Beperk 46cts
Spencer (George) 4pcPf 2pc
Treasury 11½pc 2001-04 5¾pc
Wellman Eng 1.6p

SATURDAY, MARCH 20

DIVIDEND & INTEREST PAYMENTS—
Brunner Inv Tst 1.7p
M and G American and Gen Fund Inc 0.8p
M and G Magnum Fund Inc 6.1p

SUNDAY, MARCH 21

DIVIDEND & INTEREST PAYMENT—
Nationwide Bldg Soc 15¼pcBds 29-9-82 7.6875pc

Companies and Markets

CURRENCIES, MONEY and GOLD

MONEY MARKETS

BY COLIN MILLHAM

Budgeting for a cut

A CUT of ½ per cent to 13 per cent in London clearing bank base rates last Thursday was in line with market expectations, although some optimists earlier in the week had been hoping for a 1 per cent reduction. There was little encouragement to be gained from events in the U.S., where interest rates were firm despite a larger than expected fall in the previous week's money supply figures.

The discount houses, intent on making up some of the ground lost last year, when interest rates not only failed to fall as much as hoped at the time of the previous Budget, but were eventually forced up by rising U.S. rates, preferred to borrow money at a slightly penal rate from the Bank of England rather than part with their high yielding paper.

For its part the Bank of England was obviously concerned at the beginning of the week that the Chancellor's Tuesday Budget statement should not be preempted by too swift a cut in base rates.

Bills were offered to the authorities at levels well below previous official dealing rates, which if accepted on Monday morning would have been taken as a clear signal to cut base rates. The houses were not even keen to enter into bill repurchase agreements until March 31, at 13½ per cent, preferring to borrow money from the authorities at 14 per cent to relieve the day-to-day shortage of credit. On the other hand the Bank of England was not being too unkind with its lending rate, since overnight interbank money traded no lower than 14½ per cent on Monday.

When the official dealing rates were cut by up to ⅞ per cent on the day following the Budget there was still some hope of a reduction of 1 per cent in base rates. However, the clearing banks, with the approval of the authorities, decided that such a move would be imprudent, particularly with seven-day money still relatively firm at about 14½-14⅝ per cent.

The market settled down to the new rate structure on Friday, as seven-day funds fell to around 13⅞ per cent, and providing nothing untoward occurs in the near future there seems every chance that base rates will soon return to last summer's level of 12 per cent.

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	Mar. 12	change	NEW YORK	Mar. 12	change
Base rates	13	-½	Prime rates	16-16½	
7 day interbank	13⅞-14	-⅛	Federal funds	14⅜-14⅞	+⅛
3 mth Interbank	13⅞-13	[illegible]	3 mth. Treasury Bills	13.72	+0.63
Treasury Bill Tender	12.4650	-0.6822	6 mth. Treasury Bills	13.80	+0.60
Band 1 Bills	13⅛	-½	3 Mth. CD	14.50	+0.65
Band 2 Bills	12⅞	[illegible]	FRANKFURT		
Band 3 Bills	12⅞	[illegible]	Special Lombard	10	Unch'd
3 Mth. Treasury Bills	12⅝-12⅞	[illegible]	One Mth. Interbank	10.075	-0.1
1 Mth. Bank Bills	13⅛	[illegible]	Three month	9.90	-0.275
3 Mth. Bank Bills	12⅞-13	[illegible]	PARIS		
TOKYO			Intervention Rate	14	Unch'd
One month Bills	6.65625	Unch'd	1 Mth. Interbank	14½	+⅛
Three month Bills	6.63125	Unch'd	Three month	14⅝	+⅛
BRUSSELS			MILAN		
One month	14⅛	+⅛	One month	20⅛	Unch'd
Three month	14⅛	+⅛	Three month	20⅞	-⅛
AMSTERDAM			DUBLIN		
One month	8¾	Unch'd	One month	19⅞	+⅛
Three month	8⅝	Unch'd	Three month	18¾	Unch'd

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market, and their respective changes during the week. * Band 4 12⅜ per cent.

BANK OF ENGLAND TREASURY BILL TENDER

	March 12	March 5		March 12	March 5
Bills on offer	£100m	£100m	Top accepted rate of discount	12.4743%	12.5148%
Total of applications	£478.2m	£416.475m	Average rate of discount	12.4650%	12.4972%
Total allocated	£100m	£100m	Average yield	12.86%	12.90%
Minimum accepted bid	£96.89	£96.88	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	67%	100%			

FT LONDON INTERBANK FIXING

3 months U.S. dollars	
bid 14 15/16	offer 15 1/16

6 months U.S. dollars	
bid 14 15/16	offer 15 1/16

The fixing rates (Mar. 12) are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Mar. 12 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	13-14	13⅞-14⅛	—	—	—	13⅜-13⅞	12-13	—	—
2 days notice	—	—	13⅝-13⅞	—	—	—	13⅞	—	—	—
7 days or	—	—	—	—	—	—	13⅞	—	—	—
7 days notice	—	13⅝-14	13⅞	—	—	—	13	—	—	—
One month	13⅝-13½	13⅝-13⅞	13⅞	14⅛-14	—	13⅞	13⅞-13	12⅞	13⅛	13⅞
Two months	13⅜-13¼	13⅝-13⅞	—	14-13⅞	13⅞	—	12⅞-12⅞	12⅞	12⅞	13⅜
Three months	13⅛-13½	13⅝-13¼	13⅞	13⅞-13⅝	13⅞	—	12⅞-12⅞	12⅛-12⅞	12⅞-12⅞	13⅛
Six months	13⅛-13⅛	13⅝-13⅛	13⅞	13⅝-13½	13⅞	—	—	—	12⅞-12⅞	12⅞
Nine months	13⅛-13⅛	13⅜-13⅛	—	13⅛-13⅛	—	—	—	—	—	—
One year	13⅛-13⅛	13⅝-13⅛	13⅛	13⅛-13⅛	13⅞	—	—	—	—	—
Two years	—	—	13⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 13⅝ per cent; four years 13⅜ per cent; five years 13⅜ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅞-12⅞ per cent; four months trade bills 13⅛ per cent.

Approximate selling rates for one month Treasury bills 12⅞-12⅞ per cent; two months 12⅞ per cent; three months 12⅛-12⅞ per cent. Approximate selling rate for one month bank bills 13 per cent; two months 12⅞ per cent and three months 12⅞ per cent; one month trade bills 13⅞ per cent; two months 12⅞ per cent; three months 13 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 15 per cent from March 1 1982. Clearing Bank Deposit Rates for sums at seven days' notice 10-10⅛ per cent. Clearing Bank Base Rates for lending 13 per cent. Treasury Bills: Average tender rates of discount 12.4650 per cent.

Certificates of Tax Deposits (Series 5) 13⅞ per cent from March 8. Deposits withdrawn for cash 11 per cent.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Mar. 12	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	13⅛-13⅞	14⅞-15	14⅞-15⅞	9⅞-9⅞	2-2⅞	9⅞-9⅞	14-14⅞	19-21	13⅛-13⅞	6⅛-6⅞
7 days' notice	13⅞-13⅞	14⅞-15	14⅞-15⅞	9⅞-9⅞	5-5⅞	9⅞-9⅞	14⅞-14⅞	20⅞-22	13-15	6⅛-6⅞
Month	13⅞-13⅞	14⅞-15⅞	15⅞-15⅞	9⅞-9⅞	6-6⅞	9⅞-9⅞	14⅞-14⅞	22-23	14⅞-15⅞	6⅛-6⅞
Three months	13⅞-13⅞	14⅞-15⅞	15⅞-15⅞	9⅞-9⅞	6⅞-6⅞	9⅞-9⅞	15⅞-15⅞	21⅞-22	14⅞-15⅞	6⅞-6⅞
Six months	13⅞-13⅞	14⅞-15⅞	15⅞-16	9⅞-9⅞	6⅞-7⅞	9⅞-9⅞	16⅞-16⅞	21⅞-22	14⅞-15⅞	6⅞-6⅞
One Year	13⅞-13⅞	14⅞-15	16⅞-16⅞	9⅞-9⅞	7⅞-7⅞	9⅞-9⅞	16⅞-17⅞	21⅞-22	14⅞-15⅞	6⅞-6⅞

BFr (financial): short-term 12-13 per cent; seven days' notice 13⅜-13⅞ per cent; one month 13⅞-13⅞ per cent; three months 13⅜-13⅞ per cent; six months 13⅜-14 per cent; one year 13⅜-14 per cent.

SDR linked deposits: one month 12⅞-12⅞ per cent; three months 12⅞-13⅞ per cent; six months 12⅞-13⅞ per cent; one year 12⅞-13⅞ per cent.

ECU linked deposits: one month 12⅞-12⅞ per cent; three months 12⅞-13 per cent; six months 12⅞-13⅞ per cent; one year 12⅞-13⅞ per cent.

Asian $ (closing rates in Singapore): one month 14⅞-15 per cent; three months 14⅞-15⅞ per cent; six months 14⅞-15⅞ per cent; one year 14⅞-15⅞ per cent. Long-term Eurodollar two years 15-15⅞ per cent; three years 15⅞-15⅞ per cent; four years 15⅞-15⅞ per cent; five years 15⅞-15⅞ per cent nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following rates were quoted for London dollar certificates of deposit: one month 14.60-14.70 per cent; three months 14.70-14.80 per cent; six months 14.70-14.80 per cent; one year 14.70-14.80 per cent.

CURRENCIES AND GOLD

Pound slips

STERLING LOOKED a little vulnerable last week as the cut in the price of North Sea oil was followed by a further reduction in London interest rates. The firmer trend in U.S. interest rates as the week continued put some pressure on the pound by Friday, but probably did not require intervention from the Bank of England. Putting events into context, however, the pound is much stronger against the members of the European Monetary System and the Japanese yen than it was when London interest rates were forced up at the beginning of October, and not much changed against the dollar.

Sterling's trade-weighted index fell to 90.1 from 91.1 last week, but this compares with 87.4 last September 30. With last September's figures in brackets the pound fell to $1.7995 from $1.8385 ($1.8050) against the dollar last week; to DM 4.28 from DM 4.3125 (DM 4.1950) against the D-mark; to FFr 10.9750 from FFr 11.0350 (FFr 10.03) against the French franc; and to SwFr 3.3825 from SwFr 3.4050 (SwFr 3.5650) in terms of the Swiss franc.

On the other hand sterling rose slightly to Y431.50 from Y430.50 (Y419.50).

A rise of about ½ per cent in Eurodollar rates, and a firmer trend in Federal funds pushed the dollar's index up to 113.7 from 112.2 last week, with the market anticipating a rise up to $2bn in M1 money supply on Friday. The U.S. currency rose to DM 2.3770 from DM 2.3440; to FFr 6.1000 from FFr 6.0025; to SwFr 1.8790 from SwFr 1.8510; and to Y239.90 from Y234.

Gold had another bad week, falling $19½ to $323¼-324¼. It touched $322-323 on Friday, the lowest level since the beginning of September 1979. At that time gold was in heavy demand, rising to record levels as growing U.S. inflation led the Middle East oil producers to lose faith in the dollar, and look for an alternative investment. Now the high level of U.S. interest rates, and increased Soviet sales of the metal to pay for grain shipments and support of the Polish economy, has produced a complete turnround.

GOLD

	Mar. 12		Mar. 11	
Gold Bullion (fine ounce)				
Close	$323¼-324¼	(£179½-180)	$330-331	(£182¼-182¾)
Opening	$325-326	(£180¼-180¾)	$333½-334½	(£184¼-184¾)
Morning fixing	$322.50	(£178.869)	$334	(£184.551)
Afternoon fixing	$323.25	(£179.613)	$331.75	(£183.085)
Gold Coins				
Krugerrand	$333¼-333¾	(£185-185¼)	$341¼-342¼	(£189-189¼)
½ Krugerrand	$171-172	(£95-95½)	$177½-178½	(£97-97½)
¼ Krugerrand	$87-88	(£48½-49)	$89½-90½	(£49½-50)
1/10 Krugerrand	$35½-36½	(£19¾-20¼)	$37-38	(£20½-21)
Mapleleaf	$333¼-334¼	(£185¼-185¾)	$341½-342½	(£189½-190)
New Sovereigns	$75-76	(£41¾-42¼)	$78-79	(£43-43½)
King Sovereigns	$92-96	(£52¼-53¼)	$95½-97½	(£53-54¼)
Victoria Sovs.	$95-96	(£52¼-53¼)	$96-97	(£53½-54¼)
French 20s	$75-88	(£41¾-48)	$80-90	(£44-49¾)
50 pesos Mexico	$397-400	(£220¼-222¼)	$407¼-410¼	(£225¼-227)
100 Cor. Austria	$313-316	(£174-175)	$321¼-323¼	(£177¾-179¼)
$20 Eagles	$465-470	(£258¼-261¼)	$474-479	(£262¼-265)

OTHER CURRENCIES

Mar. 12	£	$		£ Note Rates
Argentina Peso	18,665-18,685	10,350-10,400	Austria	29.95-30.25
Australia Dollar	1.6955-1.6975	0.9430-0.9435	Belgium	87½-88½
Brazil Cruzeiro	257.23-258.23	142.90-143.49	Denmark	14.32-14.46
Finland Markka	8.195-8.205	4.5560-4.5580	France	10.92-11.02
Greek Drachma	108.587-112.311	61.50-61.70	Germany	4.26-4.31
Hong Kong Dollar	10.379-10.394	5.7705-5.7770	Italy	2280-2335
Iran Rial	147.50*	81.00*	Japan	431-436
Kuwait Dinar (KD)	0.510-0.516	0.2845-0.2864	Netherlands	4.67½-4.71½
Luxembourg Fr.	78.95-79.05	43.90-43.92	Norway	10.78-10.88
Malaysia Dollar	4.1895-4.1950	2.3300-2.3320	Portugal	123½-129
New Zealand Dlr.	2.3090-2.3120	1.2805-1.2845	Spain	185½-193
Saudi Arab. Riyal	6.13-6.19	3.4185-3.4215	Sweden	10.45-10.55
Singapore Dollar	3.8180-3.8245	2.1225-2.1255	Switzerland	3.36-3.40
Sth. African Rand	1.8250-1.8400	1.0215-1.0225	United States	1.79-1.81
U.A.E. Dirham	6.58-6.64	3.6715-3.6735	Yugoslavia	91-98

† Now one rate. * Selling rate.

EXCHANGE CROSS RATES

Mar. 12	Pound St'rling	U.S. Dollar	Deutschem'k	Japan'se Yen	FrenchFranc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.800	4.280	431.5	10.975	3.383	4.665	2313.	2.186	79.00
U.S. Dollar	0.556	1.	2.378	239.8	6.099	1.880	2.604	1285.	1.215	43.90
Deutschemark	0.234	0.420	1.	100.8	2.564	0.790	1.095	540.4	0.511	18.46
Japanese Yen 1,000	2.317	4.170	9.919	1000.	25.42	7.839	10.86	5360.	5.065	183.1
French Franc 10	0.911	1.640	3.900	393.2	10.	3.082	4.260	2108.	1.991	71.98
Swiss Franc	0.296	0.532	1.265	127.6	3.245	1.	1.385	683.8	0.646	23.36
Dutch Guilder	0.213	0.384	0.914	92.13	2.343	0.722	1.	493.7	0.466	16.86
Italian Lira 1,000	0.433	0.778	1.850	186.6	4.745	1.462	2.026	1000.	0.945	34.15
Canadian Dollar	0.458	0.823	1.958	197.4	5.022	1.548	2.144	1058.	1.	36.15
Belgian Franc 100	1.266	2.278	5.418	546.2	13.89	4.282	5.930	2928.	2.766	100.

THE DOLLAR SPOT AND FORWARD

March 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7960-1.8040	1.7990-1.8000	0.17-0.27c dis	-1.47	0.70-0.80dis	-1.67
Ireland†	1.4810-1.4880	1.4810-1.4830	0.69-0.59c pm	5.18	1.72-1.58 pm	4.47
Canada	1.2130-1.2175	1.2150-1.2155	0.07-0.10c dis	-0.84	0.22-0.25dis	-0.77
Nethlnd.	2.6000-2.6060	2.6020-2.6050	1.32-1.22c pm	5.85	3.77-3.67 pm	5.72
Belgium	43.80-44.05	43.80-43.92	2c pm-par	0.27	5 pm-par	0.23
Denmark	7.9760-7.9800	7.9800-7.9900	0.15-0.30ore dis	-0.34	0.60-0.90dis	-0.37
W. Ger.	2.3750-2.3835	2.3765-2.3775	1.15-1.05pf pm	5.56	3.30-3.25 pm	5.51
Portugal	69.60-69.90	69.70-69.90	30-55c dis	-7.30	90-180 dis	-7.74
Spain	104.40-104.70	104.40-104.50	6-15c dis	-1.21	40-55 dis	-1.81
Italy	1283-1287½	1283½-1284½	8-9lire dis	-7.94	25-27 dis	-8.10
Norway	5.9940-6.0100	5.9950-6.0050	0.95-0.40ore pm	0.95	0.30-0.10 pm	0.13
France	6.0975-6.1150	6.0975-6.1025	1.10-0.25c dis	-0.34	1.65-2.15dis	-1.31
Sweden	5.8100-5.8250	5.8150-5.8250	1.10-0.60ore pm	2.11	1.55-1.25 pm	0.98
Japan	239.00-240.50	239.85-239.95	1.75-1.60y pm	8.38	5.05-4.90 pm	8.29
Austria	16.68-16.72	16.69-16.70	10⅞-9gro pm	6.81	25⅞-22⅞ pm	5.75
Switz.	1.8725-1.8825	1.8785-1.8795	1.38-1.28c pm	8.32	3.95-3.82 pm	8.22

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

March 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7960-1.8040	1.7990-1.8000	0.17-0.27c dis	-1.47	0.70-0.80dis	-1.67
Canada	2.1840-2.1930	2.1850-2.1860	0.40-0.50c dis	-2.47	1.30-1.40dis	-2.47
Nethlnd.	4.67-4.70	4.68-4.69	2-1⅞c pm	4.48	5-4⅞ pm	4.05
Belgium	78.90-79.50	78.95-79.05	2-15c dis	-1.06	23-33 dis	-1.42
Denmark	14.31-14.38	14.34⅞-14.35⅞	1⅞-2⅞ore dis	-1.78	6-7 dis	-1.81
Ireland	1.2160-1.2160	1.2130-1.2140	0.62-0.72p dis	-6.67	1.76-1.97dis	-6.20
W. Ger.	4.25-4.29⅞	4.27-4.28	1⅞-1⅞pf pm	4.21	4⅞-4 pm	3.90
Portugal	125.20-126.00	125.35-125.65	85-190c dis	-12.19	190-395 dis	-9.32
Spain	187.60-188.50	187.80-188.00	25-85c dis	-3.56	115-145 dis	-2.77
Italy	2305-2320	2312-2314	16-18 lire dis	-8.86	49-52 dis	-8.73
Norway	10.76-10.83	10.78⅞-10.79⅞	par-1ore dis	-0.56	4⅞-5⅞ dis	-0.60
France	10.95-11.00	10.97-10.98	1⅞-2⅞c dis	-1.91	7⅞-8⅞	-3.01
Sweden	10.45-10.49	10.46⅞-10.47⅞	⅞ore pm-par	0.43	1⅞-1 pm	0.52
Japan	430-434	431-432	2.35-2.10y pm	6.21	7.05-6.75 pm	6.40
Austria	29.95-30.10	30.00-30.05	15-12gro pm	5.38	34-27 pm	4.06
Switz.	3.36-3.39⅞	3.37⅞-3.38⅞	2⅞-1⅞c pm	7.92	7⅞-7⅞ pm	8.65

Belgian rate is for convertible francs. Financial franc 87.90-88.00. Six-month forward dollar 1.57-1.67c dis, 12-month 2.70-2.90c dis.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.7995	1.8017	1.8070	1.8157	1.8276
D-Mark	4.28	4.265	4.2387	4.2038	4.1317
French Franc	10.975	10.9925	11.0575	11.1842	11.3909
Swiss Franc	3.3825	3.3612	3.3262	3.2848	3.1899
Japanese Yen	431.5	429.0	424.4	418.2	407.0

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU March 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.6963	44.0889	-1.36	-0.01	±1.5440
Danish Krone	8.18382	8.00047	-2.24	-0.90	±1.6428
German D-Mark	2.41815	2.41445	-0.15	+1.21	±1.1097
French Franc	6.19564	6.21602	+0.33	+1.69	±1.3743
Dutch Guilder	2.67296	2.64496	-1.05	+0.31	±1.5069
Irish Punt	0.686799	0.684709	-0.30	+1.06	±1.6689
Italian Lira	1300.13	1304.21	+0.31	+0.31	±4.1242

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times. Sterling/ECU rate for March 12 .... 0.564190

CURRENCY MOVEMENTS

Mar. 12	Bank of England Index	Morgan Guaranty Changes %
Sterling	90.1	-33.3
U.S. dollar	113.7	+6.3
Canadian dollar	89.1	-17.6
Austrian schilling	115.6	+24.7
Belgian franc	96.4	-0.5
Danish kroner	84.1	-13.0
Deutsche mark	122.4	+44.9
Swiss franc	155.0	+107.8
Guilder	113.1	+22.0
French franc	79.6	-14.4
Lira	58.1	-56.9
Yen	136.7	+31.0

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Mar. 12	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.624091	0.564190
U.S. $	12	1.12306	1.01564
Canadian $	16.06	1.36697	1.23449
Austria Sch.	6¾	18.7639	16.9484
Belgian F.	14	49.5061	44.6889
Danish Kr.	11	8.97197	8.10047
D mark	7½	2.67485	2.41445
Guilder	8½	2.98954	2.64496
French Fr.	9½	6.85678	6.19633
Lira	19	1444.34	1304.21
Yen	5½	268.940	243.378
Norwgn. Kr.	9	6.75667	6.09386
Spanish Pta.	8	117.499	106.248
Swedish Kr.	10	6.54194	5.90673
Swiss Fr.	6	2.10866	1.90780
Greek Dr'ch.	20½	—	62.5920

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1981/2 High	1981/2 Low	Stock	Closing price p	+ or −	Div.	Times covered	Gross yield	Price/Earnings ratio
142	F.P.	26/3	195	186	Amersham	191	-1	b3.5	2.9	2.6	18.4
80	F.P.	—	365	315	♦Eldridge Pope £1	365		9.6	2.9	3.7	11.3
—	F.P.	—	25	21	Fleet Holdings 20p	23	+1	—	—	—	—
—	F.P.	—	55	37	Greenfriar Warrants	35	-3	—	—	—	—
‡90	F.P.	5/3	93	89	♦Imm. Bus. Sys. 10p	91	+2	—	—	—	—
—	F.P.	—	101	47	♦Malaysian Tin 5p	50	+2	—	—	—	11.0
‡150	F.P.	—	148	137	♦Oceonics 10p	137		bd1.6	4.7	1.6	14.6
—	F.P.	—	50	30	Osprey Assets	30		F1.4		6.7	—
♦♦	F.P.	—	42	40	P. H. Industrials	40		b3.5	1.8	12.6	6.3
♦♦	F.P.	—	15⅞	13	TSW 5p	14⅞		F0.6	—	5.9	—
48	F.P.	19/2	56	47	♦York Mount	56		b4.8	2.9	11.8	5.4

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981/2 High	1981/2 Low	Stock	Closing price £	+ or −
‡100	£25	30/7	35⅞	25⅞	Barclays 16% Ln. Stk.	34⅞	-⅞
100	F.P.	14/4	116	111	Boddingtons Brew 9⅞% Cnv. Ln. 2000-05	116	
—	F.P.	—	204	204	Churchbury Ests. 6.4% Cnv. Ln. 1995	204	
—	F.P.	26/2	212	208	Do. 8pc Cnv. Ln. 1997	210	-2
100	Nil	—	5pm	4pm	Hunting Pet. 10% Cnv. Ln. 1997	4pm	-⅛
‡99	£10	29/4	11⅞	10⅞	Lee Valley 9⅞% Red. Prf. 1989	11⅞	
‡97⅞	F.P.	18/3	101⅞	101	Mid-Kent Water 9⅞% Red. Prf. 1987	101	
‡100	£10	—	10⅞	99⅞	Nationwide Bdg. Soc. 16⅞% (17/1/83)	101⅞	
‡100	F.P.	—	101⅞	100	Do. 15⅞% (7/2/83)	101⅞	
‡100	F.P.	—	100⅞	100⅞	Do. 14⅞% (14/3/83)	100⅞	-⅞
‡100	£10	—	10⅞	10⅞	Ropners 11⅞% Cum Prf.	10⅞	
98.53	£20	—	23⅞	19⅞	Trans-Canada Pipelines 16⅞% Notes 2007	22⅞	

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1981/2 High	1981/2 Low	Stock	Closing price p	+ or −
70	F.P.	15/3	19/4	87	75 ♦Clyde Petroleum	75	
140	F.P.	19/2	19/3	164	154 Davy Corp.	164	
40	F.P.	8/3	25/4	49	40 ♦Energy Finance 10p	49	
—	Nil	—	—	27pm	20pm First Castle 10p	20pm	-1
150	Nil	22/3	29/4	28pm	4pm Hunting Pet. Services	4pm	-⅞
230	F.P.	26/2	26/3	288	258 Lovell Y.J.	282	+2
150	Nil	12/3	—	16pm	15pm M.L.M.	16pm	+1
‡2.25	Nil	—	—	93	56 Mepc	58	-1
186	F.P.	11/2	26/3	285	189 Mepc	190	
30	Nil	22/3	23/4	28pm	24pm Security Centres	27pm	+1
25	F.P.	26/2	19/3	41	35 Smith St. Aubyn	40	
25	F.P.	—	—	48	38 Steaua Romana (Brit.)	39	
40	Nil	—	—	1pm	1pm Sturla 10p	1¼pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ● Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✱ With warrants. †† Dealings under special Rule. ✱ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). ‡‡ Unit comprising five ordinary and three Cap. Shares.

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS FUNDS

Adig Investment [illegible]

S.G. Europe Obligations S.A. [illegible]

Eurotax Investments Ltd. [illegible]

F & C Mgmt. Ltd. Inv. Advisers [illegible]

Albany Fund Management Limited [illegible]

Fidelity International [illegible]

Allen Harvey & Ross Inv. Mgt. (C.I.) [illegible]

Alliance International Dollar Reserves [illegible]

Arbuthnot Securities (C.I.) Ltd. [illegible]

Fleming Japan Fund S.A. [illegible]

Frankfurt Trust Investment—GmbH [illegible]

Free World Fund Ltd. [illegible]

B.I.A. Bond Investments AG [illegible]

Bank of America International S.A. [illegible]

G. T. Management (U.K.) Ltd. [illegible]

Barclays Unicorn International [illegible]

Bishopsgate Commodity Ser. Ltd. [illegible]

Gartmore Invest. Ltd. Ldn. Agts. [illegible]

Bridge Management Ltd. [illegible]

Britannia Intl. Investment Mngt. Ltd. [illegible]

Gartmore Fund Managers (IOM) Ltd. [illegible]

Assicurazioni GENERALI S.p.A. [illegible]

Granville Management Ltd. [illegible]

Brown Shipley Tst. Co. (Jersey) Ltd. [illegible]

Guinness Mahon Fd. Mgrs. (Guernsey) [illegible]

Hambro Pacific Fund Mgmt. Ltd. [illegible]

Butterfield Management Co. Ltd. [illegible]

Hambros Fd. Mgrs. (C.I.) Ltd. [illegible]

CAL Investments (IoM) Ltd. [illegible]

Capdirex S.A. [illegible]

Henderson Admin. (Guernsey) Ltd. [illegible]

Capital Asset Managers Ltd. [illegible]

Henderson Baring Group [illegible]

Capital International Fund S.A. [illegible]

Central Assets Management Ltd. [illegible]

Henderson Management (Guernsey) Ltd. [illegible]

Charterhouse Japhet [illegible]

Hill-Samuel & Co. (Guernsey) Ltd. [illegible]

Clawton Commodities (Isle of Man) Ltd. [illegible]

Hill Samuel Investment Mgmt. Intl. [illegible]

Cornhill Ins. (Guernsey) Ltd. [illegible]

Cortexa International [illegible]

I.C. Trust Managers Ltd. [illegible]

Craigmount Fixed Int. Mngrs. (Jersey) [illegible]

IGF Management Services Inc. [illegible]

DWS Deutsche Ges. F. Wertpapiersp [illegible]

N.V. Interbeheer [illegible]

Delta Group [illegible]

International Bond Trust [illegible]

Deutscher Investment-Trust [illegible]

International Pacific Inv. Mgmt. Ltd. [illegible]

Drexel Burnham Lambert Incorp. [illegible]

Investment Advisers, Inc. [illegible]

Dreyfus Intercontinental Inv. Fd. [illegible]

Invicta Investment Management [illegible]

Duncan Lawrie Inv. Mgt. Guernsey [illegible]

Jardine Fleming & Co. Ltd. [illegible]

Emson & Dudley Tst. Mgt. Jrsy. Ltd. [illegible]

The English Association [illegible]

Eurobond Holdings N.V. [illegible]

Leopold Joseph & Sons (Guernsey) [illegible]

King & Shaxson Mngrs. [illegible]

Kleinwort Benson Group [illegible]

Korea International Trust [illegible]

The Korea Trust [illegible]

Lazard Brothers & Co. (Jersey) Ltd. [illegible]

Lloyds Bk. (C.I.) U/T Mgrs. [illegible]

Lloyds Bank International, Geneva [illegible]

Lloyds Bank International, Guernsey [illegible]

Lois Dreyfus Commodity Fund [illegible]

M & G Group [illegible]

Management International Ltd. [illegible]

Midland Bank Tst. Corp. (Jersey) Ltd. [illegible]

Samuel Montagu Ldn. Agents [illegible]

Minerals, Oils Res. Shrs. Fd. Inc. [illegible]

Murray, Johnstone (Inv. Adviser) [illegible]

Nat. Westminster Jersey Fd. Mgrs. [illegible]

Negit S.A. [illegible]

N.E.L. International Ltd. [illegible]

Pacific Basin Fund [illegible]

Phoenix International [illegible]

Providence Capitol Life Ass. (C.I.) [illegible]

Quest Fund Man. (Jersey) Ltd. [illegible]

Quilter/Heinold Commodities [illegible]

RBC Investment Managers Limited [illegible]

Ramlees Managers Ltd. [illegible]

Richmond Life Ass. Ltd. [illegible]

Rothschild Asset Management (C.I.) [illegible]

Save & Prosper International [illegible]

Schroder Life Group [illegible]

Schroder Mngt. Services (Jersey) Ltd. [illegible]

J. Henry Schroder Wagg & Co. Ltd. [illegible]

Scrimgeour Kemp-Gee Mngmt., Jersey [illegible]

Sentry Assurance International Ltd. [illegible]

Signet Life Assurance Co. Ltd. [illegible]

Singer & Friedlander Ldn. Agents [illegible]

Strategic Metal Trust Mngrs. Ltd. [illegible]

Stronghold Management Limited [illegible]

Surinvest (Jersey) Ltd. [illegible]

TSB Trust Funds (C.I.) [illegible]

Tokyo Pacific Holdings N.V. [illegible]

Tokyo Pacific Hldgs. (Seaboard) N.V. [illegible]

Tyndall Group [illegible]

M. G. Tyrrell & Co. (Jersey) Ltd. [illegible]

Union-Investment-Gesellschaft mbH [illegible]

Utd. Intl. Mngmnt. (C.I.) Ltd. [illegible]

V.C.A. Financial Management Ltd. [illegible]

Vanbrugh Fund Mngmt. Intl. Ltd. [illegible]

S. G. Warburg & Co. Ltd. [illegible]

Warburg Invest. Mngt. Jrsy. Ltd. [illegible]

Wardley Investment Services Ltd. [illegible]

World Wide Growth Management [illegible]

Wren Commodity Management Ltd. [illegible]

NOTES

[illegible]

مكتبة الإسكندرية

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

American Growth	55.8	60.0	+0.4	2.42
Capital	39.1	42.3	-0.1	4.02
(Accum. Units)	50.6	54.7	.....	4.02
General	61.5	66.6	+0.1	2.61
Gilt & Fixed Int.	102.9	108.9	-0.6	12.09
Income	40.1	43.3	+0.1	8.64
Worldwide Bond	108.3	114.6	-0.1	4.80
Inv. Tst. Fd.	52.8	57.1	.....	4.20
Equitas Prog.	84.6	91.5	-0.1	4.47

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	93.2	98.0	+0.4	12.39

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex
Brentwood (0277) 211459 & 229123

Balanced Funds				
Allied 1st	92.5	99.0	+0.1	5.44
Brit. Inds. Fund	83.6	89.5	+0.3	5.97
Growth & Income	60.0	64.2	+0.2	3.89
Elect. & Ind. Dev.	47.5	50.8	.....	4.25
Allied Capital	103.9	111.2	+0.3	4.49
Hambro Fund	142.3	152.3	.....	5.31
Hambro Acc. Fund	207.1	221.6	+0.1	4.51
Income Funds				
High Yield Fd.	70.7	75.7	.....	8.40
High Income	87.5	93.6	+0.1	7.26
Equity Income Fd.	49.4	52.9	.....	6.98
Govt. Secs.	25.7	26.4	-0.2	12.05
International Funds				
International	32.8	35.1	-0.2	2.62
Japan Fund	26.4	28.2	-0.6	0.58
Pacific Fund	61.8	66.1	-1.1	1.42
American Spec. Sits.	23.5	25.1	-0.1	1.10
Secs. Of America	77.2	82.6	.....	2.97
Specialist Funds				
Smaller Co.'s Fd.	61.1	65.4	+0.2	3.59
2nd Smlr. Co's Fd.	76.5	81.9	+0.5	3.97
Recovery	29.9	32.0	+0.1	4.41
Met. Min. & C'dty.	54.5	58.3	+0.1	6.54
Overseas Earnings	80.7	86.4	-0.1	4.65
Exempt Funds				
Income Exempt	56.4	59.2	+0.5	7.98
Far East Exempt	68.2	70.9	-1.1	1.76
Smaller Co. Exempt	104.3	109.5	+0.2	3.61
U.S.A. Exempt	126.5	131.6	+0.6	2.99

Anderson Unit Trust Managers Ltd.
62, London Wall, EC2R 7DQ 01-638 1200

Anderson U.T.	67.4	73.0	.....	3.99

Ansbacher Unit Mgmt. Co. Ltd.
1, Noble St., EC2V 7JA. 01-726 4931

Inc. Monthly Fund	162.0	172.0	.....	10.38
Leics. & Gen. Fd.	55.0	58.0	.....	7.33

Anthony Wieler Unit Tst. Mgmt. Ltd.
19, Widegate St., London, E1 7HP. 01-247 8827

Wieler Gwth Fd. Inc.	35.7	38.4	.....	2.80
Do. Accum.	46.3	49.8	.....	8.50

Arbuthnot Securities Ltd. (a)(c)
37, Queen St., London, EC4R 1BY. 01-236 5281

Capital	33.5	35.9	+0.1	—
Commodity	60.2	64.7	+0.1	2.93
(Accumulation)	96.2	103.4	+0.2	2.93
(10% Withdrawal)	42.2	45.3	.....	2.93
Eastern & Internatl.	45.5	48.6	-0.3	1.00
(6% Withdrawal)	29.5	31.5	-0.2	1.00
Extra Income	85.1	91.7	+0.3	10.83
(Accumulation)	111.4	120.0	+0.4	10.83
Finance & Property	25.7	27.7	+0.2	4.42
Foreign	131.2	141.3	-1.7	1.00
Giants	48.4	52.1	+0.1	3.20
(Accumulation)	65.1	70.1	+0.2	3.20
Gilt & Fixed	41.7	43.7	-0.2	11.66
(Accumulation)	50.0	52.5	-0.2	11.66
Growth	42.1	45.3	+0.1	3.39
(Accumulation)	57.0	61.4	+0.2	3.39
High Income	35.9	38.7	.....	9.63

Choulartan Fund Managers (g)
57-63, Princess St., Manchester. 061-236 5685

Growth	14.2	15.3	+0.1	4.00
International	49.8	53.3	-0.1	1.26
High Income	29.4	31.7	-0.2	11.06

Confederation Funds Mgt. Ltd. (a)
50, Chancery Lane, WC2A 1HE. 01-242 0282

Growth Fund	78.0	82.7	.....	4.50

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	36.9	40.3	+0.1	10.97
North American	54.6	59.0	-0.4	2.84
Canadian Exempt*	51.7	54.7	.....	3.57
Canadian Trust	45.1	48.8	+0.3	2.82
*Mid Mount High Inc.**	46.5	49.2	.....	9.75
Recovery	56.5	61.7	-0.5	3.57
Gilt Trust	39.5	41.3	-0.2	13.72

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 3492

Cres. Amer. Fd.	35.8	38.7	-0.1	1.03
Cres. Cap. Fd.	—	25.0	.....	3.60
Cres. High. Dist.	48.5	52.4	.....	8.73
Cres. Internat'l	79.0	85.3	+0.5	1.76
Cres. Reserves	53.1	57.3	.....	5.24
Cres. Tokyo	35.8	38.6	-0.5	0.32

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	22.2	24.6	.....	5.64

Discretionary Unit Fund Managers
36/38 New Broad St., EC2M 1NU. 01-638 4485

Disc. Inc. March 12	264.4	282.0	+9.8	4.77

Dunbar Unit Trust Managers Ltd.
53, Pall Mall, London, SW1 5JH. 01-930 2122

Income & Grwth.	23.5	25.0	.....	7.21
Special Sits.	24.2	25.7	+0.1	1.87

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	20.9	23.5	.....	7.40
Gt. Winchester O'seas	31.4	34.8	.....	3.59

Equity & Law Un. Tr. M. (a) (b) (c)
Amersham Rd., High Wycombe. 0494 33377

UK Gwth. Tst. Acc.	57.2	61.4	.....	4.73
UK Gwth. Tst. Inc.	57.2	61.4	.....	4.73
Higher Inc. Tst. Acc.	59.5	63.9	-0.1	8.02
Higher Inc. Tst. Inc.	59.5	63.9	-0.1	8.02
Gilts/Fxd. Int. Tst. Acc.	54.9	57.7	-0.4	5.22
Gilts/Fxd. Int. Tst. Inc.	53.7	56.5	-0.4	5.22
Nth. America Tst. Acc.	47.9	51.5	-0.1	2.14
Far East Tst. Acc.	42.4	45.5	-0.8	1.97
General Tst.	94.8	101.9	+0.1	4.73

Fidelity International Management Ltd.
20, Abchurch Lane, London EC4N 7AL. 283 9911

American (z)	35.4	38.3	.....	0.72
Amer. Spec. Sits. (z)	23.9	26.0	.....	0.01
Gilt & Fixed Int.	24.8	25.6	-0.1	13.19
Growth & Income	35.1	38.3	+0.3	6.88
Japan Trust (z)	21.4	23.2	-0.8	—
Max. Inc. Eq. Tst.	31.3	33.9	+0.1	8.93
Special Sits.	39.5	43.5	+0.5	0.66

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	32.7	35.1	.....	2.29
Accum. Units	40.8	43.8	.....	2.29
J. Finlay High Income	39.1	42.0	.....	9.25
Finlay Wld. Energy	12.1	13.0	.....	3.07
Accum. Units	15.7	16.9	.....	3.07
J. Finlay Fd. In. Tst.	42.7	45.9	.....	5.37
Accum. Units	56.6	60.7	.....	5.37

Prices on March 10. Next dealing March 17.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

Amer. & Gen.	82.6	88.2	.....	0.94
(Accum. Units)	82.6	88.2	.....	0.94
Am. T'around.	75.2	80.4	-0.2	2.13
(Accum. Units)	75.4	80.6	.....	2.12
Capital Tst.	68.2	72.8	.....	4.57
(Accum. Units)	73.6	78.6	+0.2	4.57
Convertible & Gilt	49.6	52.2	.....	9.41
(Accum. Units)	52.6	55.2	-0.2	9.41
Extra Income Trust	56.8	60.6	+0.2	8.33
Income Tst.	47.4	50.6	.....	6.79

INSURANCE BONDS

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked & Variable Rate

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

Interest Due		Stock	Price £	Last xd	Yield Int.	Red.
1F	1A	Herts 6¾pc 1985-87.	75½xd	4.1	9.02	13.44
—		Leeds 13½pc 2006 ...	92½xd	11.3	14.44	14.45
15M	15N	Liverpool 9¾pc '80-84.	92¾	14.10	10.57	13.97
1Ja.A.J.O.		Do. 3½pc Irred.	24xd	1.3	14.70	—
15M	15N	Lon. Corp. 13¾pc '83	99¾	15.10	13.35	13.73
1A.	1O.	Do. 9¾pc '84-85	89¾	1.9	10.37	13.10
15J	15J	LCC 5½pc '82-84......	84¾	15.12	6.49	13.23
11J	11D	Do. 5½pc '85-87......	71¾	11.11	7.81	13.53
10Ja	10J	Do 6¼pc '88-90......	65½	10.12	10.47	14.14
1M.J.S.D.		Do. 3pc '20 Aft.	22	2.11	13.91	—
25J	15D	Sunderland 12¼pc 1984.	96	13.11	12.76	13.98

COMMONWEALTH AND AFRICAN LOANS

1A	1O	Aust. 5½pc '81-82	101⅛	26.2	—	—
1J	1D	Do. 6pc 1981-83.....	90½	30.10	6.77	13.61
1Ja	1J	N.Z. 7¼pc 1988-92 ..	63¾	1.12	11.61	14.33
15J	15D	Do. 7½pc '83-86.....	82	16.11	9.35	13.74
1A	1O	S. Rhod. 2½pc Non-Ass.	144	3'66	—	—
10M	10S	Do. 3½pc 80-85 Asstd.	64	10.8	5.44	17.60
7F	7Ag	Do 4½pc 87-92 Asstd.	40xd	7.1	11.25	17.40
15Ap	15O	Zimbabwe Ann (£100pa)	364	15.9	—	23.70

LOANS

Public Board and Ind.

1Ja	1J	Agric. Mt. 5pc '59-89	65	1.12	7.78	12.66
1M	1S	Met. Wtr. 3pc 'B'......	28¼xd	1.2	10.43	12.79
30J	31D	U.S.M.C. 9pc 1982...	107	31.12	8.63	—
30J	31D	Do. without Warnts.	99½	31.12	9.30	—

LOANS—Continued

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

Ja Ap Jy Oc	Can. P. Ent.‖	721xd	12.3	$1.12	—	6.8
J.Ap.Jy.O.	Gulf Can.‖	526p	20.11	44c	—	3.7
Ap.Jy.O.Ja.	Hawker Sid. Can.‖..	549p	17.9	96c	—	7.7
F.MyAuN.	Hollinger $5.......	11½	26.7	s$2.20	—	8.4
Mr.Jn.Sp.Dc.	Hudson's Bay ‖....	927p	24.12	$1.20	—	5.7
Jan. July	Hud.B.Oil G. $2½	22	29.7	ϕ32c	—	0.6
Mr.Je.S.D.	Imperial Oil‖	944p	26.8	$1.40	—	6.5
Jan.Ag.J.O.	Inco‖	646p	12.2	SUS20c	—	1.6
F.My.Au.N.	Inl. Nat. Gas $1...	860p	30.10	$1.10	—	5.6
Mr.Je.S.D.	Massey Ferg.‖....	120p	28.12	—	—	—
—	Place Gas $1......	30p	—	—	—	—
June Dec	Rio Algom..........	15⅝	4.5	$1.50	—	4.2
M.Je.S.D.	Royal Bk. Can. $1	10¼	25.1	$2.00	—	8.4
SeDeMrJu	Seagram Co. C$1	27¼	12.2	US$1.80	—	3.5
F.MyAuN.	Tor. Dom. Bk. $1.	12½	29.12	$2.00	—	7.0
J.Ap.Jy.O.	Trans Can. Pipe...	11½	24.9	$1.16	—	4.5

BANKS AND HIRE PURCHASE

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan.	July	ANZ $A1	215	15.6	Q28c	3.3	8.2	3.7
Feb.	Aug.	Alexanders D. £1.	225	15.2	18.5	—	11.7	—
May	Aug.	Algemene FL100	£57½	18.8	Q26%	ϕ	9.7	ϕ
Dec.	June	Allied Irish.......	86	23.11	Q43 9%	5.5	10.5	2.5
July		Ansbacher (H.) 5p.	17	1.6	¶0.35	—	3.6	—
July	Jan	Bk. Ireland £1..	220	9.11	Q28.9%	—	10.8	—
May	Nov.	Bk. Leumi $0.1	5	6.10	tQ12½%	—	0.7	—
Aug.	Feb.	Bk.Leumi (UK)£1.	220	10.8	10.15	—	6.8	—
Jan.	July	Bk. N.S.W. $A1.	156	23.12	Q24c	2.9	9.4	3.6
Nov.	May	Bank Scotland £1	440	3.8	†17.5	5.7	5.7	3.2
Apr.	Oct.	Barclays £1......	485	10.8	¶22.0	φ5.3	6.6	3.1
Jan.	July	Brown Shipley £1	235	23.11	h6.5	—	4.0	—
Jan.	July	Cater Allen £1..	325	23.11	23.1	—	10.2	—

BANKS & H.P.—Cont.

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

مكتبة الأصول

INDUSTRIALS—Continued

INSURANCE

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Yld Gr's
Nov.	May	Falcon Rh.50c	80	1.9	025c	10.3	23.3
	Aug.	Roan Cons. K4	60	29.6	←	—	—
Nov.	May	Wankie Col. Rh.1	21	10.5	03c	1.2	10.6
May	Oct.	Zam.Cpr.SBD0 24	17	983	—	—	—

Australian

Tins

Copper

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Yld Gr's
—		Anglo-Dominion	30	—	—	—	—
	May	Burma Mines 10p	15	30.3	0.75	0.9	7.1
—		Colby Res. Corp.	55	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	210	23.12	Q60c	ϕ	15.2
—		‡‡Explaura Gold	7	—	—	—	—
—		††Hemerdon 10c.	58	—	—	—	—
—		Highwood Res.	80	—	—	—	—
—		Northgate C$1	175	977	—	—	—
Jan.	July	R.T.Z.	415	23.11	16.0	2.3	5.5
Jan	July	Do. 9¾%Cn.Ln.'95-2000	£97	9.11	Q9½%	—	F10.0
—		††SPO Minerals 10p	14	—	—	—	—
—		Sabina Inds. C$1	14	—	—	—	—
—		‡Southwest C. 10p	39	—	—	—	—
—		Tara Expln. $1	375	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- || No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	40	......	Conv. 9% '80/82	£95½	......
Bertrams	17#	......	Nat. 9¾% 84/89	£65⅞	......
Bdg'wtr. Est. 50p	420	......	Fin. 13% 97/02	£88½	+¼
Craig & Rose £1	£12¼	......	Alliance Gas	55	......
Finlay Pkg. 5p	25	......	Arnott	220	−5
Graig Ship. £1	£21	......	Carroll (P.J.)	72	......
Higsons Brew	67	......	Concrete Prods.	90	......
Holt (Jos) 25p	565	......	Heiton (Hldgs.)	22	......
I.O.M. Stm. £1	120	......	Irish Ropes	37	......
Pearce (C. H.)	£11	......	Jacob	73	+3
Peel Hldgs.	119	+2½	T.M.G.	10xr	......
Sheff. Refrshmt	80	......	Unidare	53	......
Sindall (Wm.)	200	......			

OPTIONS

3-month Call Rates

Industrials					
Allied-Lyons	8	House of Fraser	15	Utd. Drapery	7
BOC Intl.	15	I.C.I.	24	Vickers	16
B.S.R.	8½	"Imps"	8	Woolworths	5
Babcock	10	I.C.L.	5½	**Property**	
Barclays Bank	42	Ladbroke	15	Brit. Land	7½
Beecham	21	Legal & Gen.	19	Cap. Counties	10
Blue Circle	48	Lex Service	10	Land Secs.	28
Boots	19	Lloyds Bank	42	MEPC	20
Bowaters	34	"Lots"	6½	Peachey	14
Brit. Aerospace	17	London Brick	7	Samuel Props.	11
B.A.T.	38	Lucas Inds.	20	Town & City	3½
Brown (J.)	7	"Mams"	12	**Oils**	
Burton Ord.	15	Mrks. & Spncr	12	Brit. Petroleum	26
Cadburys	9	Midland Bank	30	Burmah Oil	10
Courtaulds	8	N.E.I.	9	Charterhall	6
Debenhams	7	Nat. West. Bank	38	KCA	14
Distillers	15	P & O Dfd.	14	Premier	6
Dunlop	6½	Plessey	32	Shell	30
Eagle Star	31	Racal Elect.	35	Tricentrol	22
F.N.F.C.	4	R.H.M.	6½	Ultramar	38
Gen. Accident	26	Rank Org. Ord.	20	**Mines**	
Gen. Electric	65	Reed Intnl.	26	Charter Cons.	25
Glaxo	42	Sears	6	Cons. Gold	45
Grand Met.	17	Tesco	5½	Lonrho	7
G.U.S. 'A'	45	Thorn EMI	42	Rio T. Zinc	42
Guardian	25	Trust Houses	11		
G.K.N.	15	Tube Invest.	13		
Hawker Sidd	30	Turner & Newall	11		
		Unilever	55		

"Recent Issues" and "Rights" Page 18

FINANCIAL TIMES

Monday March 15 1982

Sell-off may raise £700m

BY SUE CAMERON, CHEMICALS CORRESPONDENT

THE Government hopes to raise about £700m in the next financial year from asset sales—notably from the sale of the British Gas share in the Wytch Farm oilfield in Dorset and from floating off the British National Oil Corporation's North Sea exploration and production business.

The figure of £700m is given for the first time in the latest Financial Statement and Budget Report—the red book. It is widely believed that £700m could be a conservative estimate, however.

British Gas believes its 50 per cent stake in Wytch Farm is worth about £450m. And the sale of 51 per cent of BNOC's North Sea business is generally expected to raise between £600m and £700m—possibly more if crude oil prices start to rise again.

In addition to the Wytch Farm sale and the BNOC flotation, the Government also proposes to sell off British Gas' North Sea oil interests and assets of the British Transport Docks Board.

The Government's expenditure plans, outlined in the latest blue book, show that ministers are thinking of raising the money from the BNOC sale in two separate tranches—half in the next financial year and half in 1983-84.

This would be one way to ensure that not too much money was taken out of the market in one go. It would also mean that income from asset sales in the 1982-83 financial year was lower than might otherwise have been expected.

The blue book stresses, however, that the "division of receipts between the two years is only an assumption." It says that no decision has yet been taken on whether the flotation of BNOC "will be on a partly paid or full paid basis or what the timing of the payments will be."

Arrangements for a two-tranche payment could give the Government more flexibility over the timing of the sale of BNOC — which is to be known as Britoil when it becomes a private sector company.

Ministers might want to delay this as long as possible in the hope that crude prices will recover from their recent fall and so boost oil-sector share prices.

British Gas, which has been told it must sell its 50 per cent share in Wytch Farm in spite of its reluctance to do so, has told the Commons Select Committee on Energy that it is "most unlikely that anything like the full value" of Wytch Farm will be achieved.

The corporation gave a number of reasons for its assertion that the £450m estimated value would not be reached but its chief fear was that bidders would not make sufficient recognition in their offers of the value of as yet unproven reserves.

British Gas has repeatedly stressed that one of the difficulties of selling an oil field is that the area may later be found to contain sizeable extra reserves. This means that a lucky purchaser could find himself with a bargain.

Talbot jobs fear over Iran deal

BY ARTHUR SMITH, MIDLAND CORRESPONDENT

UNION FEARS are mounting over the threat to nearly 2,000 jobs at Talbot's engine plant in Stoke, Coventry, posed by problems with the £150m a year deal to supply car kits to Iran.

Most of the Stoke labour force has been on short time since before Christmas. Iran's economic problems have prevented the country taking delivery of car kits stockpiled in the UK.

The breakdown of supplies is likely to be causing concern not only at Peugeot, Talbot's French parent, but also in Whitehall as the Iran order is one of the UK's biggest export contracts.

However, Talbot remained optimistic last night that a five-year deal, which it claims is worth around £1bn, will be secured.

"We have a delegation in Iran at the moment. Negotiations are now into the third week and we are hopeful of success."

The Stoke plant, previously supplied the Scottish factory, which closed last year. It is now almost entirely dependent on Iran. All but 150 of the 2,050 manual workers are engaged on the contract.

Even the reduced pay the 900 Stoke workers are receiving under the Government's short time working compensation scheme could be threatened this week by a strike at the nearby Ryton assembly plant.

Talbot has laid off 1,400 Ryton workers because of a strike by 190 painters which has halted output of the Alpine, Solara and Horizon models.

The company said the 150 Stoke workers supplying components to Ryton are likely to be made idle. Talbot says this would mean all workers at Stoke would lose their benefits under the Government's compensation scheme.

Paint shop workers may try to resolve the strike this week.

The stoppage comes just as Talbot is struggling to improve its lagging market share.

Unions and management have adopted entrenched positions in a dispute that centres on rest time allowed to painters in a four week period while a backlog of cars is cleared.

Talbot claims a 40 per cent productivity improvement achieved at Ryton was crucial to the decision by Peugeot to commit £10m investment to assemble the Horizon car in the UK rather than France.

Mr Bill Lapworth, a Midlands divisional official of the Transport and General Workers' Union, complained last night that the company had taken advantage of the workforce. He said the walk-out by painters was prompted by low morale in the plant.

In the first two months of this year the company took only 3.3 per cent of the market compared with 5.32 per cent in the comparable period last year.

Edwardes 'will see out contract at BL'

By Kenneth Gooding, Motor Industry Correspondent

SIR MICHAEL EDWARDES, chairman of BL, will deny rumours he is to leave the company ahead of schedule when he announces the group's financial results for 1981 on Friday. Sir Michael will remain until his contract expires at the end of this year.

He can be expected, however, to throw little light on who might succeed him or on the way BL might be restructured after his departure. He can evade answering questions on this issue by saying it is up to the Government to decide.

Whitehall thinking seems to be that the various divisions should be given even more autonomy and that the new chairman should play less of a public role than Sir Michael has done.

There are indications that BL's net loss for 1981 was about £500m, below the record £535.5m of the previous year.

Last year the cars division improved its performance substantially, at the trading level by £100m to show a marginal trading profit.

The benefits of the car division's improvements were wiped out, however, by the problem in the truck and bus operations. These operations were hit by the severe fall in total UK demand and the difficulties of exporting against an overvalued pound. The trading loss of the truck and bus group might have jumped from £47m to about £80m.

Other parts of the group's apparently traded profitably but Sir Michaels said recently that profits were not at a satisfactory level.

Sir Michael has indicated also that he expects BL to break even at the trading-profit level next year and at the profit-before-tax level in 1984.

In 1980 the group's net loss included £139m of extraordinary items, mainly arising from the restructuring programme.

The size of the extraordinary losses will be about the same for 1981, a year in which BL closed the Seneffe plant in Belgium, the Wellingborough foundry and the Canley, Coventry, engine plant.

The restructuring also involved a cut in the workforce from 121,000 to 97,000 although 4,000 of this involved companies sold off as going concerns.

A rough estimate indicates BL paid for 20,000 redundancies. At say, £3,000 each, that would have cost £60m.

Capital expenditure last year was about £300m, mainly on the LM10 medium-sized car programme. This is due to reach fruition this autumn when the first models leave

A question to be answered on Friday is whether BL will take into the 1981 results the costs of closing Speke No. 2 plant (where Mini components were made).

THE LEX COLUMN

Cheap rate call for Ma Bell

The Euromarket debut of AT & T, with a $400m offering on very fine terms, says as much about the present shortcomings of the New York corporate debt market as it does about the European appetite for U.S. corporate paper.

With a little help from rallying New York bond prices, the issue was successfully priced on Tuesday at a yield of 14.25 per cent. For AT & T, this represented a saving of about 40 basis points over the going rate for funds in New York. That kind of saving is by no means the norm—AT & T had a particular novelty value in Europe and the cost advantage of London had narrowed sharply by the end of last week. But the flood of U.S. corporate offerings on the Euromarkets over the past year shows how difficult it has become to raise debt finance in New York.

New York had previously been preferred to London because of its much broader maturity profile and the greater liquidity of the secondary market. Yet last year, for the first time in living memory, the bulk of new corporate debt was offered in New York on a maturity of 12 years or less. With long money so difficult to obtain, the resemblance between London and New York became closer.

Moreover, the liquidity of the corporate market has been squeezed by a reduction in the number of participating firms, which has dampened retail interest, and by the ever growing demands of the U.S. Treasury. With rates so volatile, major institutions prefer the liquidity of the Treasury market where they can deal in amounts of $30m or more.

The liquidity of the Treasury market has also syphoned funds from the euromarkets. Central banks, which are not liable to withholding tax on U.S. debt interest, have become increasingly attracted to New York. The margin of first class eurodollar debt over Treasuries has progressively narrowed and, when investors are principally concerned with short term capital gain, the absolute level of redemption yields is not of great importance.

The euromarkets remain attractive, however, to private investors who would be liable to withholding tax in New York and are chasing exposure to high quality corporate debt. It was no surprise that the AT and T offering was sold heavily in Switzerland at a lower yield than a comparable issue for the World Bank, another triple-A borrower.

That does not mean that the euromarket is turning into a forum for retail investors. But it is increasingly being used as a home for discretionary funds at a time when New York is dominated by big institutional money.

Capital gains

The inflationary surges of the 1970s have made a nonsense of capital gains tax, and transformed it into a wealth tax charged when assets are realised. The yield to the Exchequer is running at about £500m a year, and it has been estimated by the Institute of Directors that if there had been an allowance for inflation since the tax's introduction in 1965, the annual yield would be reduced by nine-tenths, to a mere £50m or so. In other words, the remaining £450m has been assessed on paper profits.

Up to now Governments have opposed making an allowance for inflation on the grounds of administrative complexity and, more speciously, with the argument that fiscal compensation for the effects of inflation was inconsistent with the primary objective of bringing down the rate of inflation. A major consultation exercise in 1977 brought forth the mouse of higher and simplified exemption limits, to the benefit mainly of smaller investors.

The indexation of capital gains introduced in last weeks' budget has been designed to minimise market distortion given that index linked bonds were to be made available to all. To what extent it is a limited measure, showing all the presures of expediency. Losses, for instance, provide no offsets under the new rule, while the first year of inflation will not count in computing tax liability. This is because short term gains of up to a year have been excluded from inflation relief for reasons of administrative simplicity. The granting of immediate relief at the end of 12 months would create distortions. No one would sell an asset in the eleventh month of ownership, for instance.

The new measure will indeed create complexities where share dealings are concerned. The general practice is to pool holdings and average the purchase price; now shares held for less than a year will have to be tracked separately.

The adjustment capital gains for inflation comes after several years of creeping indexation of the main allowances in the tax system. Now that income tax and capital gains and transfer taxes are all indexed, corporation tax is beginning to stick out like a sore thumb. One of the key arguments deployed by the Inland Revenue in its recent corporation tax Green Paper against moving over to current cost accounting in measuring business profits was that it would be unfair to individuals. "In present circumstances, to adopt full CCA for the purpose of business taxation would be to extend compensation for the effects of inflation on the financial assets of businesses, and the financial flows associated with them, whilst similar compensation is not available to the non-business sector." Or not, as the case may be.

W. Germany blocks development of EMS

By John Wyles in Brussels

STRONG opposition from West Germany's Bundesbank has today effectively blocked agreement by EEC Governments on developing the European Monetary System and seeking co-operation with the U.S. to manage exchange rates.

The impasse is embarrassing both for the European Commission, which has fervently advocated new initiatives on EMS and possibly for the system itself, since the Community's political commitment to develop it further inevitably appears weakened.

EEC economics and Finance Ministers are not expected to throw out the Commission's proposals today, but over the past month meetings of the EEC's monetary committee and of its central bank governors have thrown up deep divisions on what are only rather modest and technical proposals for improving EMS functioning.

The Bundesbank has played a key role in picking holes in ideas developed by M Francois-Xavier Ortoli, the EEC's Finance Commissioner. Its reasons are not altogether clear, but it appears anxious not to accept anything which might expand West Germany's obligation to support other currencies in the EMS and weaken its control of domestic credit.

Though the strongest critic, West Germany is not alone in having doubts about the proposals. France, for example, has appeared far less enthusiastic than its public fervour would suggest for developing the EMS. Some officials suspect a Franco-German connivance.

With sterling still outside the system, the UK has taken a more lofty approach, while Italy and Belgium have given strongest support to the Commission.

But a general fear, strengthened by the German attack on details, is that the proposed changes look like mere cosmetic improvements now that the original plan to move to the "second stage" of the EMS has been postponed

U.S. recession 'has hit bottom'

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE U.S. recession is "just about at its bottom" and the next turn will be upwards, Mr Murray Weidenbaum, chairman of President Ronald Reagan's Council of Economic Advisers, said yesterday. He predicted that unemployment would "pretty soon" peak at around 9 per cent and then slowly start coming down.

Mr Weidenbaum's forecast is more optimistic than that of many other economists inside and outside government who believe that the jobless rate—hovering just under 9 per cent in recent weeks—will reach as much as 10 per cent before the recession is over.

Mr Weidenbaum said there were already some "modest indications" of economic recovery and there would be increasing signs of upturn in April, May and June. He expected an "increasing array of new jobs" to appear on the labour market.

He strongly rejected suggestions that Mr Reagan's tax-cutting programme should be cancelled or delayed. It was important for continuity and certainty that the second and third 10 per cent cuts should go through on schedule in July this year and in July 1983.

There were, he said, more attractive ways of coping with Budget deficits than changing the tax programme. He suggested that the Administration should concentrate on reducing expenditure so as to deal with the deficit "over a number of years."

He said he was more concerned about deficits than he had been when Mr Reagan unveiled his Budget at the beginning of last month. Since then, further "upward pressures" on the deficit had become apparent, he said.

He welcomed the growing support for a constitutional amendment requiring a balanced Budget, which is likely to be voted on in the Senate in the next two months.

Although the amendment is unlikely ever to become law, Mr Weidenbaum welcomed support for it as a "constructive force."

Drug industry fears 'switch plan'

BY SUE CAMERON, CHEMICALS CORRESPONDENT

BRITAIN'S major drug companies fear that an official report now with ministers will urge the widespread replacement of brand-named drugs with cheaper generic ones.

Experts estimate that such a move could lop at least £25m and possibly as much as £80m off the country's annual drugs bill, and the pharmaceutical companies believe they could force some of them out of business. UK drug exports—estimated at £850m last year—could also be badly hit.

The fears of the drug companies stem from speculation about the recommendations of an official working party set up by the Government last year to look into the prescribing of medicines.

The working party, composed chiefly of Department of Health officials and representatives of the British Medical Association, has just completed its report.

The report is widely believed to call for pharmacists to be given the right to substitute cheaper generic drugs for brand-named ones on a prescription—unless a doctor insists otherwise.

Doctors would have to tick a box on the prescription form if they did not want a generic drug to be substituted for a branded one, but the makers fear many doctors would not bother to tick the box.

This month the Association of the British Pharmaceutical Industry (ABPI) has rushed out a pamphlet entitled "The Importance of Brand Names."

It claims: "Widespread generic prescribing or substitution would put some companies out of business

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Murdoch seeks support

writer and supporter of Mr Douglas-Home for the editorship, added in a radio interview yesterday that Mr Evans had failed to defend the editorial independence of the paper.

Mr Smith read two letters from Mr Evans to Mr Murdoch. These sought agreement on the paper's treatment of the then forthcoming Budget and on a new series of articles.

Mr Anthony Holden, the features editor and a close friend of Mr Evans, said all correspondence with the proprietor would be seen by Mr Douglas-Home for there had been no objection. The consultation was necessary as Mr Evans was concerned with production costs of the plans.

Mr Holden said he believed the editor was likely to seek a meeting with the national directors before tendering his resignation. "I think you will find that the emphasis now is not a squabble about money or about people. It is about the principles involved and therefore the context in which this editor leaves the paper," he said.

Continued from Page 1

Scots

industrial action where appropriate."

The Glasgow Hillhead by-election on March 25 was very much on the minds of party leaders. There was considerable emphasis on party unity, and although left-right divisions in Scotland are not as deep as those in the Labour Party in the South, the right made modest gains in elections to the Scottish Labour Executive.

Two right-wingers lost their seats, but so did two members of the Left. Of the 31 executive members, only 13 are clearly left-wingers

Haig looks for Soviet move on El Salvador

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

A "GLOBAL" initiative to end the fighting in El Salvador with pressure on the Soviet Union and Cuba to intervene, is being proposed by Mr Alexander Haig, the U.S. State Secretary.

Mr Haig believes that the "full panoply of American political, economic and security assets" should be deployed against the Soviet Union and Cuba to stop the fighting, the State Department said at he weekend.

Senior officials stressed that the U.S. should deal with El Salvador as a "global problem" rather than concentrate on the military situation on the ground—an approach that could lead the U.S. into "another Vietnam."

Mr Haig is said to believe that the U.S. was distracted by "a local preoccupation" in Vietnam, instead of applying a broad programme of "geo-political leverage" against the Soviet Union and its allies.

The new policy brought an immediate angry reaction from the country's right-wing, which accused Mr Haig of "inviting the Soviet Union into our hemisphere" by acknowledging Moscow's influence in Central America—although this was almost certainly not his intention.

The State Department gave no details of how the so-called "global solution" is being sought. But senior officials said Mr Haig believed the Soviet Union had "certain interests and certain vulnerabilities" and the U.S. had the political, economic and security means of exploiting them.

Among the Soviet interests that could come into play were the need for Western technology and trade and Moscow's desire for a stabilisation of the arms race and a political dialogue with Washington.

The vulnerabilities included Moscow's problems in Poland and Afghanistan. The official who explained Mr Haig's position said: "I don't mean to suggest that we'll start subverting Poland, but it must be a recognised vulnerability in Moscow." The official hinted that this point may have been made already to Moscow.

The new State Department line deliberately plays down the importance of events in El Salvador, where the Reagan Administration increasingly feels it is powerless to affect the outcome of the civil war by conventional military means.

Weather

UK TODAY

SHOWERY, cold, very windy.

England, S. Wales, Channel Is
Outbreaks of rain, clearing later. Winds strong to gale. Max. 10 C(50F).

N. Wales, S Scotland, N Ireland
Sunny intervals, squalls, wintry showers. Winds strong to gale. Max. 7C (45F).

N. Scotland, Orkney, Shetland
Rather cloudy with showers, heavy at times. Winds gale force at first. Max. 6C (43F).
Outlook: Showery. Night frost in places.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	14	57	L. Ang.†	C	13	55
Algiers	S	16	61	Luxmbg.	F	5	41
Amsdm.	C	8	46	Luxor	S	23	73
Athens	S	14	57	Madrid	S	12	54
Bahrain	C	24	75	Majorca	C	11	52
Barclna.	F	13	55	Malaga	F	16	61
Beirut	S	16	61	Malta	F	15	59
Belfast	C	8	46	M'chstr.	C	10	50
Belgrd.	C	6	43	Melbne.		—	—
Berlin	C	8	46	Mx.C.†		—	—
Biarritz	S	13	55	Miami†		—	—
Bmghm.	R	8	46	Milan	S	11	52
Blackpl.	C	8	46	Montr.†	Sn	1	34
Bordx.	F	12	54	Moscow	C	2	36
Boulgn.	C	8	46	Munich	C	3	37
Bristol	C	11	52	Nairobi	F	29	84
Brussels	C	9	48	Naples	C	9	48
Budpst.	F	9	48	Nassau		—	—
Cairo	F	20	68	Nwcstl.	S	9	48
Cardiff	C	11	52	N.York†		—	—
Cas'b'ca	F	18	64	Nice	S	13	55
Cape T.	S	25	77	Nicosia		—	—
Chicg.†	C	1	34	Oporto	S	16	61
Cologne	C	8	46	Oslo	C	3	37
Cpnhgn.	R	5	41	Paris	F	10	50
Corfu	F	12	54	Perth	S	23	73
Denver†	F	0	32	Prague	S	6	43
Dublin	C	9	48	Rykjvk.	F	0	32
Dbrvnk.	R	7	45	Rhodes	F	16	61
Ednbgh.	F	7	45	Rio J'o†		—	—
Faro	S	18	64	Rome	F	14	57
Florence	S	13	55	Salzbrg.	C	4	39
Frankft.	F	8	46	S'cisco†	R	9	48
Funchal	C	16	61	Singapr.	C	31	88
Geneva	S	5	41	S'tiago†		—	—
Gibrltr.	C	16	61	Stckhm.	C	1	34
Gl'sg'w	F	7	45	Strasbg.	C	8	46
G'rnsey	C	10	50	Sydney		—	—
Helsinki	Sn	1	34	Tangier	S	13	55
H. Kong	C	21	70	Tel Aviv	F	18	64
Innsbrk.	F	4	39	Tenerife	C	19	66
Invrnss.	S	6	43	Tokyo	S	12	54
I.o.Man	C	9	48	T'r'nto†	F	0	32
Istanbul	F	12	54	Tunis	F	15	59
Jersey	S	11	52	Valencia	F	15	59
Jo'burg	S	25	77	Venice	S	11	52
L. Plms.	C	18	64	Vienna	F	5	41
Lisbon	S	15	59	Warsaw	C	2	36
Locarno	S	12	54	Zurich	F	6	43
London	C	11	52				

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder. †Noon GMT temperatures.